National Library of Canada
Canadian Theses Service
Ottawa, Canada
K1A 0N4

Bibliothèque nationale du Canada
Service des thèses canadiennes

NOTICE

The quality of this microform is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us an inferior photocopy.

Previously copyrighted materials (journal articles, published tests, etc.) are not filmed.

Reproduction in full or in part of this microform is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30.

AVIS

La qualité de cette microforme dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de qualité inférieure.

Les documents qui font déjà l'objet d'un droit d'auteur (articles de revue, tests publiés, etc.) ne sont pas microfilmés.

La reproduction, même partielle, de cette microforme est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30.

NL-339 (r. 88/04)

Canada

THE UNIVERSITY OF ALBERTA

THE POLITICAL ECONOMY OF CANADIAN FOREIGN POLICY TOWARDS CENTRAL AMERICA - 1979-1986

by

©
JAMES F. ROCHLIN

A THESIS
SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

DEPARTMENT OF POLITICAL SCIENCE

EDMONTON, ALBERTA
FALL, 1987

Permission has been granted to the National Library of Canada to microfilm this thesis and to lend or sell copies of the film.

—

The author (copyright owner) has reserved other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without his/her written permission.

L'autorisation a été accordée à la Bibliothèque nationale du Canada de microfilmer cette thèse et de prêter ou de vendre des exemplaires du film.

L'auteur (titulaire du droit d'auteur) se réserve les autres droits de publication; ni la thèse ni de longs extraits de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation écrite.

ISBN 0-315-41027-2

THE UNIVERSITY OF ALBERTA

RELEASE FORM

James Rochlin

The Political Economy of Canadian Foreign Policy Towards
Central America - 1979-1986

PH.D

1987

Permission is hereby granted to the UNIVERSITY OF ALBERTA LIBRARY to reproduce single copies of this thesis and to lend or sell such copies for private, scholarly or scientific research purposes only.

The author reserves other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

9357 Cameron Ave.
Edmonton, Alberta, T5H 3R5

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled The Political Economy of Canadian Foreign Policy Towards Central America - 1979 - 1986.

submitted by James F. Rochlin

in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Political Science.

L R Pratt

Supervisor

David C. Johnson

Fred Judson

Douglas A. Ross

External Examiner

Date May 25, 1987

ABSTRACT

Canadian policy towards Central America represents one facet of the broader topic of Canada's role and interests in the hemisphere. This study entails an analysis of Canadian relations toward a region where American hegemony is being challenged.

A central argument here is that while Canada generally shares the United States' hegemonic interests in the Americas, Ottawa disagrees with Washington regarding the means to secure those interests. Particularly, Canada objects rather strongly to unilateral military attempts by the Reagan Administration to reassert US dominance in the hemisphere. Hence, we do not observe complicity between Canadian and American relations toward the isthmus. Parameters of Canadian foreign policy which are apparent in this analysis consist largely of pro-Western values and anti-communism, the advancement of Canadian economic interests abroad, as well as a commitment towards multilateralism and the cultivation of global stability.

This dissertation entails an examination of Canada's relations with El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, principally during the period 1979-1986. Emphasis is placed upon Canada's relations with Nicaragua, since in many ways that country is at the heart of the turmoil which plagues the region. The first two chapters are theoretical in nature. Chapter One explores the domestic and international determinants of Canadian foreign policy towards the isthmus. Dominant class theory and an

international political economy approach serve as the analytical framework for this study. Chapter Two is devoted to an analysis of American strategic interests in Central America, since this represents a salient influence upon Canadian relations with the region.

Chapter Three offers a brief overview of Canada's sparse historical ties with the isthmus states. Canada's economic and politico-diplomatic relations with Central America are explored at length in Chapters Four and Five. While conclusions are drawn throughout the analysis, the final chapter integrates the major points reached in the dissertation.

TABLE OF CONTENTS

CHAPTER PAGE

I. Theoretical Aspects of Canadian Relations with Central America.................................. 1

Canada's Rank in the International Political Economy.................................... 27

Conclusion.................................... 43

II. American Strategic Interests in Central America.... 46

Historical Aspects of US Policy Towards Central America.................................... 48

Recent US Policy Towards Central America......... 56

US Strategic Interests in Central America........ 69

Conclusion.................................... 96

III. Canada's Historical Relations with Central America... 97

Canada's Naval Adventure in El Salvador......... 105

The Panama Canal................................ 110

Canadian Trade with Central America............. 112

Canadian Diplomatic Relations with Central America.................................... 113

Conclusion.................................... 121

IV. Canadian Economic Interests in Central America 123

Part One: Canadian Trade with Central America .. 125

Part Two: Canadian Direct Investment in Central America.................................... 168

Part Three: Canadian Developmental Assistance

to Central America.............................. 182
Types of Aid.................................... 185
Canadian Aid to Central America................. 189
Costa Rica...................................... 192
El Salvador..................................... 197
Guatemala....................................... 199
Panama.. 202
Honduras.. 202
Nicaragua....................................... 205
Canadian Aid and Human Rights................... 209
Determinants of Canadian Developmental
Assistance...................................... 216
V. Canadian Politico-Diplomatic Relations with
Central America................................. 233
Part One: Canadian Diplomatic Relations with
Central America................................. 235
Canada and Nicaragua............................ 243
Canada and El Salvador.......................... 260
Canada and Honduras............................. 265
Canada and Guatemala............................ 269
Canada and Costa Rica........................... 278
Part Two: Canadian Political Interests in
Central America................................. 279
Canada's Role in Central American Elections...... 279
Canadian Policy Toward Central American Refugees. 285
Canadian versus American Analyses of Central
American Strife.................................290

Canada's Strategic Interests in the Region....... 299

Canada, International Organizations, and Central America.. 315

VI. Conclusions...................................... 325

Bibliography.. 359

LIST OF TABLES

Table	Description	Page
I.	Estimates of Total GDP in Purchasers Value - 1980	29
II.	Gross Domestic Product Per Capita of Ten OECD Countries	30
III.	Growth of Real GNP in the OECD Area - % Annual Change	31
IV.	Exports as a Percentage of GDP - Summit Countries 1983	33
V.	Growth in Productivity of Total Manufacturing	35
VI.	Industry Shares in Total Canadian Exports 1972 - 1982	36
VII.	Population for Selected Countries	39
VIII.	Defence Forces and Expenditures Among NATO Countries	42
IX.	Canadian Trade with Central America	130
X.	A Comparison of Canadian and US Exports to Nicaragua 1983	150
XI.	Canadian Trade with Countries Surrounding Central America	163
XII.	Canadian Direct Investment in Central America and Surrounding Countries	169
XIII.	Canadian Corporations in Central America	172
XIV.	Canadian Aid to Central America - 1968/80	193
XV.	Aggregate Canadian Aid to Central America - 1981/86	221

THEORETICAL ASPECTS OF CANADIAN RELATIONS WITH CENTRAL AMERICA

Canadian foreign policy towards Central America will be examined here by utilizing Cranford Pratt's dominant class theory. Pratt's theoretical perspective focuses exclusively upon domestic determinants of Canada's foreign relations, and therefore it is necessary to complement this approach with a model that probes international determinants of Ottawa's policy on the global stage. Fred Halliday's marxian international political economy framework is useful for this purpose. I shall begin with a presentation of Pratt's and Halliday's analytical frameworks, and will then shift to a discussion of Canada's rank in the global political economy as a factor in Canadian foreign policy.

***

By probing the relationship between state and society, dominant class theory offers a framework for the analysis of Canadian foreign policy. While it is clear that Cranford Pratt's version of this theory is indebted to Marxist thought in many ways, significant components of Pratt's mode of analysis remain distinct from classic Marxist philosophy. Pratt argues that a "non-doctrinaire" interpretation of dominant class theory, which distinguishes his theory from Marxist ones, can be utilized to avoid what he perceives to be the stringencies which limit the explanatory power of doctrinaire renditions of the theory.[1] The similarities and distinctions between Pratt's analytical framework and traditional Marxist thought will be made clear as we consider elements of Pratt's model.

To begin, I shall borrow Nicos Poulantzas' definition of 'social class', since it is compatible with Pratt's theory. 'Social Classes' can be defined

> principally but not exclusively by their place in the production process, by their place in the economic sphere.
>
> ...We can thus say that a social class is defined by its place in the ensemble of the division of labour which includes political and ideological relations.[2]

Pratt's dominant class theory begins with the proposition that "the capital-owning class in any capitalist society is the dominant class and that the policies of the state reflect and perpetuate that dominance."[3] The Canadian state, then, tends to formulate a foreign policy that is fundamentally characterized by a "...single-minded predisposition to advance Canadian economic interests, narrowly defined..."[4] While Pratt offered this observation in reference to the Trudeau era of the 1970s and early 1980s, the economic focus of Ottawa's foreign policy has been accentuated even further under the Mulroney Administration, whose 1985 green paper on Canadian foreign policy "..emphasizes that economic issues are assuming an increasingly prominent role in our international relations."[5] The central point here is that dominant class theory offers the hypothesis that, as far as domestic determinants are concerned, the formulation of Canadian foreign policy is dominated by a desire to advance Canada's economic interests around the globe.

---

[1] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy: The Case of the Counter-Consensus," International Journal, Vol. 39, #1, Winter 1983-84, p. 115.

[2] Nicos Poulantzas, "On Social Classes," New Left Review, #78, March/April 1973, p. 27.

[3] Cranford Pratt, op. cit., p. 105.

Closely related to the proposition regarding Ottawa's quest to bolster Canadian commercial relations on the international stage, dominant class theory suggests that there is a tendency by foreign policy makers to overlook ethical values and equity considerations vis-a-vis North-South issues.[6] Quite importantly, Pratt argues that dominant class theory "...would expect foreign policy to reflect the central preoccupation with stability and the preservation and advancement of capitalism..."[7] Generally, stability represents a necessary precondition for profitable economic relations. Thus, dominant class theory suggests that Canada's preference for international stability is motivated largely by economic concerns, rather than by virtuous ethical considerations. This observation is particularly relevant to Canada's economic relations with Third World countries, where stability is often jeopardized by the proxies of the United States and the Soviet Union in their Great Contest to dominate developing states. Also significant here is the importance attached by dominant class theory to ideological motivations of foreign policy makers, especially regarding the advancement of international capitalism - a point to which I shall return.

---

[4] Cranford Pratt, "Canadian Policy Towards the Third World: Basis for an Explanation," Studies in Political Economy, #13, Spring, 1984, p. 27.

[5] Canada, Secretary of State for External Affairs Joe Clark, Competitiveness and Security: Directions for Canada's International Relations (Ottawa: Minister of Supplies and Services Canada, 1985), p. i.

[6] Cranford Pratt, "Canadian Policy Towards the Third World," op. cit., p. 47.

Also incorporated into Pratt's dominant class theory are elements of structuralism which appear to be borrowed from Marxist political economists.[8] Pratt suggests that his theory

> ...assumes significant state autonomy but sees the state as

---

[7] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 105.

[8] Karl Marx seemed to appreciate the `relative autonomy' of the state in his discussion of Bonapartism, as both the Canadian marxist Phillip Resnick and the French structuralist Nicos Poulantzas have noted.

See, for example, Phillip Resnick, "Democracy, Socialism and the State," paper presented at the Canadian Political Science Association Session in Honour of C.B. McPherson, Universite de Quebec, June 1980, p. 19; and Nicos Poulantzas, "The Problem of the Capitalist State," New Left Review, #58, November/December, 1969, p. 74.

> heavily influenced by structural and class factors in ways that will favour capitalism...[9]
>
> Only a strong government enjoying a relative autonomy will be able to control the intra and inter-class struggles and thereby to manage the politics and economy of a modern capitalist state to the permanent long-term advantage of capitalism.[10]

This structuralist position was integrated into Marxist thought by Nicos Poulantzas in the late 1960s and 1970s.[11]

The notion of a relatively autonomous state which acts in the long-term interests of the dominant class as a whole was discussed almost a century earlier by Friedrich Engels.

> But in order that these antagonisms, classes with conflicting economic interest, might not consume themselves and society in sterile struggle, a power seemingly above society became necessary for the purpose of moderating the conflict, and keeping it within the bounds of 'order', and this power, arisen out of society, but placing itself above it, and increasingly alienating itself from it, is the State.[12]

---

[9] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 100.

[10] Ibid., p. 104.

[11] See, for example, Nicos Poulantzas, Classes in Contemporary Capitalism (London:Verso, 1978); "On Social Classes," New Left Review, #78, March-April 1973, pp. 25-55; and "The Problem of the Capitalist State," New Left Review #58, November-December 1969, pp. 67-78.

[12] Friedrich Engels, "The Origins of Family, Private Property and the State," in R. Tucker, ed., Marx Engels Reader (New York: Norton, 1978), p. 752.

In this respect, and in others, Pratt's dominant class theory is rooted in classic marxian structuralism. Proponents of the concept of relative state autonomy focus upon the domestic political economy when they suggest that such an arrangement between state and society is necessary to ensure the healthy operation of the capitalist society. In a superb analysis of Canada's dominant class, Robert Brym suggests that

> The state's relative autonomy derives partly from the mundane fact that state officials want to keep their jobs.
>
> Thus, the occupational (if not class) interests of state officials demand that they not offend any class or group to such a degree that their re-election or re-appointment is jeopardized.
>
> It is thus a matter of survival for the political elite to remain somewhat removed from the will of the capitalist class.[13]

I will argue later that notions of relative state autonomy are also helpful to analyze the balance the state must seek between domestic and international influences upon foreign policy formulation.

Pratt's analysis of the Canadian state vis-a-vis foreign policy formulation also includes components largely associated with marxian instrumentalists.[14] This aspect of Pratt's theoretical framework appears murky in some respects, as we shall see.

---

[13] Robert Brym, "The Canadian Capitalist Class, 1965-1985," in Robert Brym, ed., The Structure of the Canadian Capitalist Class (Toronto: Garamond, 1985), p. 14.

> There is a very significant interpenetration between senior ranks of our corporate leadership and our political leadership.
>
> This must be counted as further reason to presuppose that government policy-making, even in regard to foreign policy, will be particularly responsive to the corporate sector.[15]
>
> ...recruits to the Canadian foreign service have tended to come from the upper social brackets to an even greater extent than the rest of the senior public service.[16]

While Pratt seems to suggest that in some ways foreign policy makers are the instruments of capital, he couches this conception of instrumentalism in the view adopted by Poulantzas that such arrangements are the result - not the cause - of capitalist structures. That is, while foreign policy makers are sympathetic to the needs of capital partially as a result of their predominantly dominant class background, they nevertheless remain capable of achieving relative autonomy from societal interests through an imperative to act in the long-term interests of capital as a whole. On balance, Pratt and other structuralists could be a bit clearer on this issue. One is reminded here of Ralph Miliband's critique of Poulantzas' views on relative state autonomy, when he asked: "How relative is relative?"[17]

---

[14] See, for example, Ralph Miliband, Marxism and Politics (London: Oxford University Press, 1977); "Poulantzas and the Capitalist State," New Left Review, November-December 1982, pp. 83-93; and The State in Capitalist Society (New York: Basic Books, 1969).

Instrumentalism is indebted to Marx's oft-quoted contention that the executive of the modern state is but a committee for managing the affairs of the whole bourgeoisie.

[15] Cranford Pratt, "Canadian Policy Towards the Third World," op. cit., p. 30.

[16] Ibid., p. 29.

Another significant element of dominant class theory is the "...important role it provides for ideology..."[18] Domestically, the dominant ideology of capitalism offers a rationale for the unquestioned existence of private property and concomitant systemic inequities.[19] This aspect of Pratt's theory seems to be rooted in Marx's contention that the ideology of the dominant class represents the dominant ideology in the country.[20] The acceptance of capitalist ideology on the home-front, according to Pratt, is closely related to a pro-capitalist orientation in the international arena. "It is true that a strong hostility towards

---

17. Ralph Miliband, "Poulantzas and the Capitalist State," New Left Review, November-December, 1982, p. 85.

18. Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 105.

19. Ibid., p. 105.

20. See, for example, Karl Marx, "The German Ideology," in Robert Tucker, ed., Marx Engels Reader (New York: Norton, 1978), p. 187.
In this passage, Marx discusses the dominant ideology of capitalism which permeates the state and society in North America.

communism is a major feature of the ideology of the dominant class."[21] The anti-communist leanings of the Canadian dominant class result in a natural allegiance to many components of the foreign policy of the United States, which possesses hegemonic interests in retarding the gains of international socialism. Pratt's theory hypothesizes, therefore, that the anti-communist predisposition of the dominant class contributes to Canada's predominantly anti-communist foreign policy.

In what appears to be loosely analogous to the struggle observed by Marxists between the dominant and subordinate classes, Pratt's model points to the virtually perpetual conflict between the concerns of the dominant class and those of counter-consensus interest groups on matters of Canadian foreign policy. Regarding the counter consensus groups, Pratt asserts that "...class is not directly relevant to the positions they advocate."[22] To this extent, Pratt seems to veer away from the classic Marxist position that "...all struggles within the State... are merely the illusory forms in which the real struggles of the different classes are fought out among one another."[23] Such distinctions from traditional marxian observations presumably have led Pratt to declare his theory to be "non-doctrinaire," as noted earlier.

---

[21] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 133.

[22] Ibid., p. 100.

[23] Karl Marx, "The German Ideology," in Robert Tucker, ed., Marx Engels Reader (New York: Norton, 1978), pp. 160-161.

Pratt points to two fundamental characteristics of counter-consensus groups in Canada. The first and most significant of these is their "belief that the ethical obligations of Canadians extend beyond Canada's borders."[24] The ethical obligations embraced by the counter-consensus often take the form of attempts to alleviate the disparity between the developed and developing countries, as well as a respect for ideological diversity in the Third World. The counter-consensus takes exception to military solutions for what they view as socio-economic problems in developing countries.

Closely related to this, Pratt identifies the second distinguishing characteristic of counter-consensus groups as "...the conviction that something is profoundly remiss in the ways in which the superpowers seek to maintain their security and thereby to ensure peace."[25] The distaste by the counter-consensus for superpower politics seems to be a logical extension of their concern with material equity between the North and South and of their abhorance to the military policies of the superpowers. Hence, Pratt argues that the concern by the counter-consensus for morality and ethics in international relations places them in conflict with the policy preferences of the dominant class, whose

---

24. Ibid., p. 127.

25. Ibid., p. 128.

chief interests in global politics are economic gain and the containment of communism.

Canadian foreign policy makers, according to dominant class theory, are likely to regard the positions adopted by the counter-consensus to be "...self-indulgent, intemperate and unrealistic."[26] Further, their access to senior policy makers is generally limited since they do not "...represent any important fraction of the dominant class."[27] Despite this, the Government is likely to appreciate the considerable expertise and detailed knowledge possessed by counter-consensus groups.[28] Pratt suggests that Canadian foreign policy makers generally attempt to "manipulate" the counter-consensus during audiences with the Governemnt.[29] This is "...part of a careful effort by the government to win acceptance of its (the government's) viewpoint, and to diffuse and limit the impact of informed and domestic criticism."[30] Overall, Pratt's theory hypothesizes that the lobbying efforts of such groups are "likely to have little effect" upon actual government policies.[31] Still, the counter consensus groups occasionally may prevail with respect to Ottawa's foreign relations. As Paul Sweezy and Harry Magdoff declared recently, "Bourgeois democracy is not altogether a sham."[32]

---

[26] Cranford Pratt, "Canadian Policy Towards the Third World," op. cit., p. 34.

[27] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 130.

[28] Ibid., p. 119.

[29] Ibid., p. 131.

[30] Cranford Pratt, "Canadian Policy Towards the Third World," op. cit., p. 35.

[31] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 120.

Therefore, although Pratt's dominant class theory does not reduce the motivation of the counter-consensus to be strictly class interests, it nevertheless analyzes the effect of the counter-consensus against the backdrop of a state which is partial to the dominant class. In this way, Pratt's theory differs radically from pluralism, which sees the state as a neutral clearing house ready to reflect majority will, and from statism, which generally does not place the policy preferences of government officials solidly within the context of societal influences. Dominant class theory assigns a signficant role to the counter consensus in its dynamic struggle with a state that owes its primary allegiance to the dominant class. Even if the policy preferences of the counter-consensus are unlikely to be translated into government policy, these groups are important due to the expertise they possess and their potential for educating both the public and state officials on certain matters of foreign policy.

Hence, the application of dominant class theory necessitates an analysis of both the dominant class and counter-consensus groups on matters of foreign policy. It predicts that the Government treats the counter consensus as a force to be reckoned with, but that the interests of the dominant class will generally prevail in actual foreign policy.

---

[32] Paul Sweezy and Harry Magdoff, "What is Marxism?" Monthly Review, vol. 36, #10, March, 1985, p. 6.

As I emphasized earlier, dominant class theory focuses upon domestic determinants of Canadian foreign policy. Pratt suggests that "It cannot explain without strain and convoluted argument the full range of foreign policies. Thus, for example, strategic policies are better analyzed in international realist terms."[33] In an article which provides an eloquent defence of 'realist' interpretations of international relations, Robert Gilpin discusses the major components of this approach. Let us briefly consider the realist view of global politics, then, and ponder its compatibility with Pratt's dominant class theory.

Gilpin asserts that "all realist writers" share three assumptions.[34] The first of these is the "essentially conflictual nature of international affairs."[35] Patterns of harmony among actors on the international stage receive short shrift from this approach. Nevertheless, since the purpose here is to provide a theoretical framework from which to analyze Canadan policy towards Central America, a perspective which affords prominence to political conflict is quite appropriate given the pronounced disharmony of interest on the isthmus.

---

[33] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 115.

[34] Robert Gilpin, "The Richness of the Tradition of Political Realism," International Organization, 38, 2, Spring 1984, p. 290.

[35] Ibid., p. 290.

The second fundamental assumption of realism, according to Gilpin, is that "the essence of social reality is the group."[36] Thus, while Gilpin suggests that the state in general represents the most important actor on the international stage, his assertion of the significance of the 'group' is an attempt to downplay the narrowly state-centric framework often associated with realist thinkers.[37] Classes, international organizations and multinational corporations, as well as the state, can be viewed as significant political actors from such a perspective.

A third principal assumption of political realism, Gilpin argues, is "the primacy in all political life of power and security in human motivation."[38] Closely related to this assumption is the neo-realist view concerning the interplay between the international economy and the global political system.

> The essential argument of most realists with respect to the nature and functioning of the international economy, I would venture to say, is that the international political system provides the necessary framework for economic activities.

---

36. Ibid., p. 290.

37. Ibid., p. 298.

38. Ibid., p. 290.

> The international economy is not regarded as an autonomous sphere, as the liberals argue, nor is it the driving force behind politics, as the Marxists would have us believe.

> When the distribution of power and international political relations change, corresponding changes may be expected to take place in global economic relations.[39]

Therefore, this perspective contends that economic structures on the global stage are largely determined by the international political system.

Finally, Gilpin's neo-realist approach asserts that states pursue their national interest in foreign relations, and not just the "...selfish interests of the ruling elite."[40] This idea seems to conflict in some important ways with dominant class theory, which suggests that the interests of the national bourgeoisie are generally favoured in a state's foreign policy.

Overall, one can see why Pratt would be enamoured to aspects of this approach. Gilpin's rather non-doctrinaire version of realism - with its emphasis upon global conflict, group politics, and to some extent upon economic forces - may be helpful in some ways for an analysis of Canadian

---

39. Ibid., p. 295.

40. Ibid., p. 303.

foreign policy which focuses upon international determinants.

In some important respects, however, realism and its more modern variants seem to be rooted in assumptions which may not be compatible with a dominant class perspective. This is particularly true regarding the relationship that realists view between politics and economics. Pratt's dominant class theory seems to suggest that, in many ways, economic and class interests are the driving force behind a state's political behaviour. This assumption, which is based on elements of Marxist political economy, appears incompatible with the realists' assertion regarding the primacy of political forces over economic forces in international relations. Pratt's dominant class perspective also seems to contradict the realist conception of 'national interest' which is distinct from class interests.

It is crucial to keep in mind that Pratt suggested that the neo-realist approach ought to be utilized particularly vis-a-vis strategic concerns embodied in Canadian foreign policy, and that dominant class theory should be employed to analyze other aspects of Canada's foreign relations. But this eclectic formula has the potential to result in some troublesome ideological contradictions, as noted above. Such contradictions are generated because economic and strategic aspects of a state's foreign policy may be closely related and thereby share a coherent set of determinants, hence precluding the necessity to utilize two separate theories of foreign policy which are based upon differing philisophical assumptions. While the neo-realists' emphasis upon power and security is instructive when one is examining a state's strategic-military concerns, it is important to consider that a marxian international political economy perspective on foreign policy formulation also incorporates matters of global power and security into its analytical framework without contradicting the fundamentals of dominant class theory.

Perhaps more compatible with Pratt's dominant class theory is the marxian analytical framework utilized by Fred Halliday in *The Making of the Second Cold War*. Although Pratt's model is not marxian, his version of dominant class theory is clearly indebted to Marxist thought, as we have observed earlier. Thus, Pratt's dominant class theory seems closer to the assumptions entailed in a marxian international political economy approach to the study of international relations than frameworks in the realist tradition.

In his analysis of international relations and foreign policy, Halliday argues that his "class conflict theory has the special merit of seeking to relate state and class politics within one approach."[41] Therefore, a state's 'national interest' is, in many ways, conditioned by domestic and international class relations. This component of Halliday's framework complements elements of Pratt's dominant class theory, which concentrates exclusively upon domestic class relations as a determinant of Canadian foreign policy. Regarding the relationship between domestic and international class forces, Halliday observes that

---

[41] Fred Halliday, *The Making of the Second Cold War* (London: Verso, 1983), p. 29.

> Class conflict theorists see international politics as determined by the ebb and flow of social revolution, and by the conflict between capitalism and communism, on a world scale.
>
> ...This conflict may at times be expressed primarily in rivalry between the major states of each bloc.
>
> But this is not necessarily so. At other times class conflict is reflected in the spread of revolutionary activity in the Third World, at others still, at least potentially, in the level of class conflict within the major capitalist states.[42]

This perspective bears particular relevance to an analysis of the Central American imbroglio, as well as to an examination of the foreign policies of outside states toward the region. It views the crisis on the isthmus, and the policy of other countries towards Central America, primarily in terms of the international conflict between capitalism and socialism.

Halliday points to three fundamental aspects of the 'Great Contest' between capitalism and socialism on the global stage. First, the two superpowers and members of their respective blocs are "organized on the basis of contrasting social principles: private ownership of the means of production in one, collective or state ownership in the other."[43] Second, Halliday's perspective incorporates the significance of ideology as a factor in international relations. "...Both systems stake an ideological claim to be world systems, ideal societies which others should aspire to follow."[44] Third, he argues that the conflict between the USSR and the US is aggravated by outbreaks of conflicts between their respective satellite states.[45]

---

[42] Ibid., p. 28.

The Great Contest - with its economic, military and ideological dimensions - serves to maintain order within the bloc of each superpower. This Contest, a term coined by Isaac Deutscher,[46] has been amplified recently by what Halliday deems to be the second cold war - a condition inspired largely by the United States since 1979 in an attempt to reassert its global hegemony.[47] "Cold War II involved a concerted and sustained attempt by the USA to subordinate the various dimensions of its foreign policy, and that of its allies, to confrontation with the USSR."[48]

---

[43] Ibid., p. 32.

[44] Ibid., pp. 32-33.

[45] Ibid., p. 33

[46] Isaac Deutscher, The Great Contest - Russia and the West (New York: Ballantine, 1960).

[47] Fred Halliday, op. cit., see Chapter One for a dicussion of the components of the Great Contest.

[48] Ibid., p. 17.

Key components of Halliday's framework can be utilized for an analysis of the international determinants of Canadian foreign policy. First, it places the study of Canadian foreign relations within the context of Canada's subordination to US hegemony - a hegemony based upon America's role as the world leader of capitalist forces. From this perspective, we would expect Canada to remain generally loyal to the interests of the United States in maintaining and bolstering its hegemony. But in order for this relationship to operate smoothly, the subordinate state must also perceive benefits from the relationship. In other words, Canada theoretically must perceive it to be in its national interest to provide general support for American economic, strategic and ideological policies on the global stage. Otherwise, we would expect aspects of Ottawa's foreign policy to be distinct from Washington's.

Secondly, as I noted earlier, Halliday's perspective is helpful for our purposes of analyzing Canadian foreign policy towards Central America in that it provides the relevant context of attempting to probe the dynamic behind third world conflicts. Essentially, the Central American imbroglio can be viewed as one component of the Great Contest between the capitalist and socialist blocs in their efforts to win a favourable balance of class forces and superior strategic position in the Third World. Hence, this study will offer an examination of Canada's role in a particular facet of the Great Contest.

Thirdly, Halliday's mode of analysis is compatible with Pratt's dominant class theory in that it aims to relate class and state politics within one approach, as we observed earlier. Like the realists, this particular marxian perspective views the state as an important actor on the international stage. However, this approach differs from the realist one in that points to the material basis upon which a state's national interest is defined.

It will be recalled that Pratt's dominant class theory emphasizes the significance of ideology, and particularly of the anti-communist sentiment which is characteristic of the dominant class. This is quite compatible with the marxian international political economy (IPE) model which underscores the salience of ideological forces in the Great Contest.

While dominant class theory suggests that many aspects Ottawa's foreign policy will be designed to advance the general interests of Canada's capitalist class, Halliday's IPE model predicts that the US will attempt to reassert its hegemonic position whereby narrowly defined American economic and security interests will be served on the global stage. Taken together, then, these frameworks point to a potential contradiction: that the interests of the Canadian dominant class do not coincide with US strategic interests. This potential conflict is related to the notion discussed earlier that a subordinate state must perceive it to be in its national interest to remain loyal to the hegemon's foreign policy. The interests of Canada's dominant class in a stable environment, for example, may conflict with perceived American strategic interests to employ military force in its perpetual quest to retard the growth of socialism in the Third World. Thus, we may expect instances where Ottawa's foreign policy is distinct from Washington's.

Finally, we observed that Pratt's dominant class theory borrowed the marxian conception of the relative autonomy of the capitalist state. This relative autonomy is necessary, it is argued, to balance domestic inter- and intra-class rivalry and thereby to act in the general interests of the capitalist class as a whole. This conception of relative state autonomy is useful to analyze the state's ability to balance domestic versus international interests.

Once again it should be underscored that, considered together, these perspectives do not suggest that Canada will necessarily follow the American lead in global politics. Canada's distinct political economy dictates that Canada will define a national interest which may not always be compatible with that of the US. In other words, while this perspective argues that Canada's subordinate role to the US in the Great Contest represents an important determinant of Canadian foreign policy, it does not propose that Canada will blindly follow the American lead. Rather, it maintains that the US is engaged in a perpetual state of conflict even with its capitalist allies such as Canada, and that it has attempted to subdue this conflict through the stimulation of a second cold war.

Another significant consideration is the notion of Canada's relationship to what some analysts have interpreted as a declining American hegemony.[49] Aside from the obvious debate over whether US hegemony is actually declining, questions arise such as: Will Canada distance itself from US policies to avoid sinking with the American ship and perhaps even metamorphasize into a principal power? Or will Canada support the United States in the hope that the US will reassert its global position? Thus, Ottawa's foreign policy vis-a-vis Central America ought to be analyzed within the context of Canada's relationship to America's hegemonic position. This entails two fundamental issues. The first is whether or not Canada is supportive of America's hegemonic position. Secondly, if Ottawa is generally supportive of American hegemony, the question arises as to whether Canada supports the policies Washington formulates to perpetuate or reassert that hegemony. The answer to the first question is most assuredly a resounding yes, at least in the eyes of the Mulroney Administration.[50] Tom Keating, in a review of Canadian foreign policy in the post-war era, observes that Joe Clark's 1985 green paper on Ottawa's foreign relations "...suggests a Canadian foreign policy in support of the reassertion of American hegemony in the interest of seriously threatened and narrowly conceived national security and economic interests."[51] While Canada would prefer to ride on the coat tails of a recharged American global hegemony, it is not at all clear that Canada is supportive of the means the US chooses to reach that end. Let us explore this further.

---

[49] The subject of a declining American hegemony has been dealt with by a number of authors with varying ideological perspectives. A short list of these include: Robert Gilpin, War and Change in World Politics (New York: Cambridge University Press, 1981); Fred Halliday, The Making the Second Cold War, op. cit; Jeff McMahan, Reagan and the World (New York: Monthly Review Press, 1985); David Dewitt and John Kirton, Canada as a Principal Power (Toronto: Wiley and Sons, 1983); Eagle Defiant (Toronto: Little Brown, 1981); Robert Keohane, After Hegemony (Princeton: Princeton University Press, 1984); W. Avery, America in a Changing World Economy (New York: Longman, 1982); and John Kirton, "America's Hegemonic Decline and the Reagan Revival," in D. Flaherty and W. McKercher, eds., Southern Exposure: Canadian Perspectives on the United States (Toronto: McGraw-Hill Ryerson, 1986), pp. 42-62.

Events in the 1980s indicate that the Reagan Administration has embarked on a unilateralist approach to reassert American hegemony. America's refusal to heed the judgment of the World Court regarding its role in Nicaragua, the curtailment of US funding for the United Nations, and episodes of US adventurism such as the bombing of Libya and the invasion of Grenada are clearly indicative of the Reagan

---

[50] For example, Joe Clark's green paper on Canadian foreign policy, released in 1985, stresses the increasing economic and political strength of the United States, and of Canada's national interest in forging closer ties with the US. Canada, Right Honourable Joe Clark, Competitiveness and Security: Directions for Canada's International Relations (Ottawa: Minister of Supply and Services Canada, 1985), pp. 6a, 29.

[51] Tom Keating, "Making Virtue of Necessity: Perspectives on Canada's Defence and Foreign Policies," p. 11. Prepared at the University of Alberta, October, 1986.

Administration's pattern of unilateral attempts to restore America's global position to that of the golden years of the post-war era.[52]

This represents an important clash with Ottawa's historically entrenched inclination towards multilateralism on the global stage.[53] As a middle or small power, Canada's voice in international affairs can be more powerful and effective when voiced in concert with other states of similar mind. International organizations provide a forum which serves as a buffer to protect Canada from instances of being trounced by the unilateral measures of stronger powers. Further, some have argued that multilateral organizations provide a buffer of stability for the international sytem as US hegemony declines.[54]

---

[52] For a discussion related to Washington's unilateral attempts to reassert its global hegemony, see Los Angeles Times, Opinion Section, 14 December 1986; and Larry Pratt, "The Reagan Doctrine and the Third World," Socialist Register, 1987.

[53] Canada's strong commitment to multilateralism in international affairs began immediately after World War Two. For example, Secretary of State for External Affairs Louis St. Laurent observed in 1947, "I feel sure...that we in this country are agreed that the freedom of nations depends upon the rule of law amongst states. We have shown this concretely in our willingness to accept the decision of the international tribunals, courts of arbitration and other bodies of a judicial nature in which we have participated." Quoted in J.L. Granatstein, ed., Canadian Foreign Policy - Historical Readings (Toronto: Copp-Clark-Pitmam, 1986), p. 28.

[54] See Robert Keohane, After Hegemony, op. cit.; and David Dewitt and John Kirton, Canada as a Principal Power, op. cit.

At any rate, Canada's historical propensity toward multilateral approaches to international conflict appears to contradict Washington's "withdrawal from the complex network of international institutions that it had helped to create and that served Canada's national interest."[55] Thus, Washington and Ottawa may disagree on the means to achieve their shared interest in bolstering America's hegemonic position. This disagreement is reflected in Prime Minister Brian Mulroney's assertion in 1985 that "History shows the solitary pursuit of self-interest outside the framework of broader international cooperation is never enough to increase our freedom, safeguard our security, or improve our standard of living."[56] We shall examine more fully the relationship between American strategic interests in Central America and Canadian foreign policy in the next chapter.

CANADA'S RANK IN THE GLOBAL POLITICAL ECONOMY

While Halliday's framework may be helpful for analyzing important elements of the international context of Canada's relations with Central America, it may also be useful to examine Canada's distinct position in the international political economy. One factor worthy of consideration when probing the determinants of Canadian foreign policy is Canada's power base in the international arena. It seems clear enough that the choice of empirical characteristics one chooses to measure a country's power base can be subjective. I will focus here upon economic and military statistics to compare Canada's rank in the global political economy with other advanced capitalist states. By and large, these empirical indicators are quite similar to the ones utilized in SSEA Joe Clark's 1986 green paper on Canadian foreign policy.

---

[55] Stephen Clarkson, Canada and the Reagan Challenge (Toronto: Lorimer, 1985), pp. 366-367.

[56] Prime Minister Brian Mulroney, "Principles of United Nations Charter Signposts to Peace," Canadian Department of External Affairs, Statements and Speeches, 85/14.

Perhaps the most common empirical measurement of a country's economic size is GDP. We can observe from Chart I that Canada ranks seventh in this category among the seven advanced capitalist countries. In this sense, it seems clear that Canada must be viewed as the junior partner vis-a-vis other summit states. There are other indicators associated with GDP, however, where Canada fares somewhat better. In GDP per capita, for example, Canada ranks fifth behind Sweden, Norway, Germany and the United States (see Chart II). In terms of growth of GNP between 1982 and 1985, Canada ranks third behind the United States and Japan (see Chart III). The growth rate of Canada's GNP is rather healthy, but the similarity of this rate with the American one may reflect Canada's dependency upon the United States economically, as well as its tendency to ride on the coat tails of the American economy.

Chart I

ESTIMATES OF TOTAL GDP IN PURCHASERS VALUE - 1980

(millions, $US)

United States	2,587,000
Japan*	1,161,389
West Germany	818,977
France	651,893
United Kingdom	523,256
Italy	393,954
Canada	253,379
Netherlands	167,656
Australia	148,064
Sweden	123,664
Belgium	119,105
Switzerland	101,493
Denmark	66,377

Sources: Statistical Yearkbook, United Nations, New York, 1981, pp. 151-155; and World Book Encyclapedia, 1980.

---

*Represents GNP.

Chart II

GROSS DOMESTIC PRODUCT PER CAPITA OF TEN OECD COUNTRIES

($US, 1980)

Sweden	14,000
Norway	13,000
Germany	11,500
United States	11,500
Canada	11,500
France	10,500
Australia	9,500
Japan	8,500
United Kingdom	7,000
Italy	6,000

--

SOURCE: Canada Among Nations, B. Tomlin and M. Molt, eds., Toronto, 1985, p. 199; and Statistical Yearbook, United Nations, New York, 1981.

Chart III

GROWTH OF REAL GNP IN THE OECD AREA - % ANNUAL CHANGE

	1983	1984	1985
United States	3.4	6.0	2.5
Japan	3.0	4.8	3.8
Germany	1.3	3.0	2.8
France	.7	1.3	1.8
United Kingdom	3.1	2.5	2.3
Italy	-1.2	2.3	2.3
Canada	3.0	4.5	3.0

Source: Canada Among Nations, B. Tomlin and M. Molot, eds., Toronto, Lorimer, p. 76; and Statistical Yearbook, United Nations, New York, 1985.

When considering Canada's trading patterns, it is significant to note that Canada has the second highest percentage of exports in relations to GDP among the seven summit countries (see Chart IV). Nearly 75% of those exports are directed toward one country - the United States. This would seem only natural given the geographic relationship between the two countries and also due to the enormous and lucrative character of the American market.

Nevertheless, the point is that Canada is overwhelmingly dependent upon the US in terms of trade, and thus, Canada is quite vulnerable to the American market. This strong Canadian bondage to the leading hegemonic power may afford Canada scant room to manoeuver and blossom into a strong economic power in its own right. Further, Canada's dependency upon trade with the United States may place Canada in a vulnerable position in seemingly unrelated foreign policy matters. It seems plausible, for example, that the Mulroney Administation's relentless efforts to establish a free trade agreement with the United States may colour other aspects of Canada's foreign policy. One can imagine a scenario whereby Ottawa would not wish to criticize aspects of American foreign policy in fear that this may jeopardize a free trade agreement if such an agreement seemed near. Of course, it appears virtually impossible to provide tangible proof for such an argument,

Chart IV

EXPORTS AS A PERCENTAGE OF GDP - SUMMIT COUNTRIES, 1983

Germany	30%
Canada	27%
United Kingdom	25%
Italy	23%
France	21%
Japan	17%
United States	12%

Source: compiled from statistics listed in Competitiveness and Security, Dept. of External Affairs, Ottawa, 1985, p. 18.

though there are those who have offered educated speculation on this matter.[57]

Of the seven summit countries, Canada's growth rate in productivity of total manufacturing betwen 1970 and 1981 ranked fifth below Japan, France, Italy and Germany (see Chart V). On a somewhat brighter note, manufactured products as a percentage of total Canadian exports grew by about 10% between 1972 and 1982 (see Chart VI). In this sense, Canada is relying to a lesser extent upon exports of staple products and is assimilating to the industrial characteristics associated with other summit countries. But Canadian economists such as Bruce Wilkinson argue that Canada's comparative advantage remains in resource-based products, although this advantage has been eroding due to Canada's inability to keep pace with technological developments occurring in other countries.[58]

Canada's international position regarding the level of investment capital abroad has dropped considerably over the last 40 years. Immediately following the Second World War, Canada stood in third place in this regard. Since then, Canada's position has gradually slipped to its current rank of seventh place, behind the United States, United Kingdom,

---

[57] Tim Draimin and Julie Leonard, "Regional Overview - Implications for Canadian Policy," Canada-Caribbean-Central America Policy Alternatives, March 1986, p. 3.

[58] Bruce Wilkinson, "Commercial Policy and Free Trade with the United States," in Brian Tomlin and M. Molot, eds., Canada Among Nations (Toronto: Lorimer, 1985), pp. 164-184.

Chart V

GROWTH IN PRODUCTIVITY OF TOTAL MANUFACTURING, 1970=100
Value in 1981

Japan	212
France	150
Italy	147
Federal Republic of Germany	140
Canada	135
United States	131
United Kingdom	125

Source: Competitiveness and Security, Dept. of External Affairs, Ottawa, 1985, p. 21; and Statistical Yearbook, United Nations, New York, 1985.

Chart VI
INDUSTRY SHARES (%) IN TOTAL CANADIAN EXPORTS, 1972/1982

	1972	1982
Manufacturing Industries..............	42	51
Resource Processing Industries........	38	28
Resource Industries...................	19	15
Fuels (Oil, Gas and Coal).............	5	13

Source: Competitiveness and Security, Dept. of External Affairs, Ottawa, 1985, p. 19; M. Molot and B. Tomlin, Canada Among Nations, Toronto, Lorimer, 1985.

Germany, Japan, Switzerland and France.[59] Of the summit countries, only Italy ranked behind Canada in this realm. Not only does Canada trail significantly behind other advanced capitalist countries in terms of investment capital abroad, Canada is extensively penetrated by American investment capital.[60] Nearly 80% of all foreign investment in Canada is American, while 15% of all foreign investment in the United States is Canadian.

William Carroll's observations regarding Canadian-American economic linkages are worth quoting at length.

> On balance, Canada seems to present the example of a middle-range imperialist power in an era of thoroughly internationalized monopoly capitalism.
>
> The post-Second World War pattern of accumulation makes it clear that a focus on Canadian dependency ascribes increasing significance to a phenomenon that has been in decline.
>
> This decline is both relative to other advanced capitalist economies, as monopoly capital has further internationalized, and absolute, as the proportion of Canadian industrial capital under US control has dropped while

---

59. Jorge Niosi, Canadian Multinationals (Toronto: Garamund, 1985), pp. 40-44.

60. Related to this, it is important to bear in mind that "At present, about three-quarters of world foreign direct investment is concentrated in the advanced capitalist countries, compared to two-thirds in the 1960's," William Carrol, "Dependency, Imperialism and the Capitalist Class in Canada," in Robert Brym, ed., The Structure of the Canadian Capitalist Class, op. cit., p. 36.

> indigenous capital exports have continued to expand.
>
> The resilience and recent consolidation of Canadian finance capital is further underscored by findings from studies of corporate interlocking that the network of large Canadian companies is increasingly focused around predominantly indigenous interests.[61]

Thus, dependency theory may be of quite limited utility to explain the Canadian-American economic relationship, as Carroll convincingly argues, and there appears to be a rising potency of indigenous Canadian capital. Nevertheless, it would also appear to be the case that Canada remains vulnerable to US economic forces which wields the potential to translate into political pressure regarding matters of foreign policy.

Regarding technological innovation, Canada ranks signficantly behind other advanced capitalist countries. As Glen Williams has observed, "it is now well-recognized that Canada is among the technologically weakest of the industrialized countries."[62] Further, Joe Clark's green paper on Canada's role in international affairs indicates that Canada ranks eighth among developed capitalist countries in terms of gross expenditure on research and

---

[61] William Carroll, "Dependency, Imperialism and the Capitalist Class in Canada," in Robert Brym, ed., The Structure of the Canadian Capitalist Class (Toronto: Garamond, 1985), p. 45.

[62] Glen Williams, Not For Export (Toronto: McClelland and Stewart, 1983), p. 111.

Chart VII

POPULATION FOR SELECTED COUNTRIES

(1980 estimates, thousands)

USSR	265,542
United States	227,658
Japan	116,782
West Germany	61,561
Italy	57,042
France	53,713
Canada	23,941
Australia	14,616
Beligium	9,857
Sweden	8,311
Denmark	5,123
Finland	4,779

Source: Figures compiled from Statistical Yearbook, United Nations, New York, 1981, pp. 61-66.

development as a percentage of GDP, and also ranks eighth in terms of industrial research and development as a percentage of Domestic Product of Industry. The United States, Germany, Japan, UK, Sweden, France and the Netherlands all surpass Canada in this category.[63] In terms of the number of research and development scientists and engineers per million population, Canada ranks behind Japan, USA, Germany, Netherlands, UK and France.[64] Clearly, then, Canada is technologically weak compared to other advanced capitalist countries.

Militarily, Canada ranks even further behind other industrialized powers than it does economically. As shown in Chart H, Canada ranks eleventh in terms of number of armed forces compared to other NATO countries - behind the US, Turkey, Germany, France, UK, Italy, Spain, Greece, the Netherlands and Belgium. In terms of defence expenditures as a percentage of GNP, Canada ranks fourteenth among the 16 NATO countries. It is worth noting, however, that Japan - which is perhaps the rising challenger to American economic hegemony - spent even less than Canada militarily as a percentage of GDP (whereas Canada spent about 2% of its GDP militarily, Japan spent about 1%).[65] Clearly, Canada is militarily weak and so this contributes to its relatively weak power base when compared to other advanced capitalist countries. Despite this, however, the fact that Canada does not spend much militarily leaves Ottawa free to devote its resources to other areas, such as domestic programmes.

---

[63] Canada, SSEA Joe Clark, Competitiveness and Security (Ottawa: Minister of Supply and Services Canada, 1985), pp. 23-24.

[64] Ibid.

[65] Claire Turenne Sjolander, "1984: Chronology and Statistical Profile," in Brian Tomlin and M. Molot, eds., Canada Among Nations, op. cit., p. 203.

Overall, then, these indicators seem to demonstrate that Canada possesses a relatively weak power base when compared to other advanced capitalist countries. Moreover, Joe Clark's 1985 green paper "...protrays a situation where Canada's military and economic capabilities have declined relative to other states in the system."[66] Canada's position as a middle power, or perhaps even a small power, on the international stage seems to generate at least two major implications for Canadian foreign policy.

First, as Kim Richard Nossal observes, "...Canada has been, and will likely always be, vulnerable to the natural rivalries of the great powers..."[67] That is, Canada's role as a state which is subordinate to and dependent upon a hegemon leads Canada to be drawn into hegemonic rivalries. It is in Canada's interest, therefore, to attempt to foster systemic stability in the face of such rivalry. Systemic stability is particularly significant for a country such as Canada which is so dependent upon international trade for its economic survival. Since hegemonic rivalry may result

---

66. Tom Keating, op. cit., p. 3.

67. Kim Richard Nossal, The Politics of Canadian Foreign Policy (Scarborough: Prentice-Hall, 1985), p. 217.

Chart VIII

DEFENCE FORCES AND EXPENDITURES AMONG NATO COUNTRIES

Country	Armed Forces (thousands)	$Million, US 1984	%GNP 1982	Per Capita 1984
Belgium	93.6	2,892	3.4	260
Canada	82.9	6,182	2.1	282
Denmark	31.4	1,400	2.5	237
France	471.4	22,522	4.2	371
West Germany	495.0	28,453	4.1	436
Greece	178.0	2,639	7.0	237
Iceland	0	0	0	0
Italy	375.1	9,090	2.6	177
Luxembourg	.7	41	1.2	117
Netherlands	101.9	4,464	3.3	293
Norway	36.8	1,698	3.0	345
Portugal	63.5	803	3.4	70
Spain	330.0	4,529	2.5	87
Turkey	602.0	2,755	5.2	59
United Kingdom	395.0	24,296	5.3	436
United States	2,135.9	196,345	6.5	1011

Source: Statistics compiled from figures listed in Competitiveness and Security, Government of Canada, Ottawa, 1985, p. 26.

in military conflict, we may expect Canada to act as a mediator to promote conflict resolution.

Second, Canada's foreign policy is constrained by the limits of its power in the international arena. SSEA Joe Clark, however, presumably would take issue with this assertion. Clark was asked by Macleans magazine in late 1986: "Is it frustrating to be a foreign minister, with a very intelligent diplomatic corps in a middle power, with obvious limitations to your clout?" He responded, "Quite the contrary. What's frustrating is to have people think we are more limited than we are..."[68]

CONCLUSION

I shall employ Cranford Pratt's dominant class theory to analyze domestic determinants of Canadian foreign policy. This "non-doctrinaire" approach borrows substantially from Marxist thought. Pratt's model stresses the following domestic factors for an examination of Canada's foreign relations: 1) the capital owning class dominates the state apparatus; 2) international stability and the preservation of capitalism are key considerations of Canadian policy makers; 3) the state is relatively autonomous; 4) ideological forces, and particularly anti-communist sentiment, condition Canadian policy; 5) ethical considerations will be largely overlooked in actual foreign policy; and 6) Canadian policy must be analyzed against the

---

68. Quoted in Central America Update, vol. 8, #3, November/December 1986, p.1.

backdrop of conflict between the dominant class and counter-consensus interest groups on many foreign policy matters.

Pratt suggests that a neo-realist approach would be helpful to analyze strategic aspects of Canada's foreign relations. I have argued that a marxian international political economy framework, as outlined by Fred Halliday, is more consistent philosophically with Pratt's approach than is a model based upon the realist tradition. Halliday's marxian IPE model focuses upon the Great Contest between capitalism and socialism in many aspects of international relations, and also stresses the significance of ideological forces. This framework emphasizes the intergrity of class and state politics on the international stage.

I have further attempted to demonstrate that Canada appears weak compared to the other advanced capitalist states, and that this would appear to pose some important constraints upon Ottawa's foreign policy.

Finally, I have argued that Ottawa is predominantly loyal to American hegemonic interests in the international arena. However, this does not mean that Canadian foreign policy will blindly follow the American lead. Factors which may serve to distinguish Ottawa's foreign relations from Washington's include Canada's over-riding interest in peace and stability internationally and Canada's historical support for multilateral institutions - determinants which clash with the unilateralist measures adopted by the Reagan

Administration in an attempt to reassert American global hegemony.

CHAPTER TWO:
AMERICAN STRATEGIC INTERESTS IN CENTRAL AMERICA

American foreign policy towards Central America represents an intriguing topic, one which is pertinent to both students of Canadian foreign policy and international political economy. Those of us concerned with Canadian relations with Central America must necessarily come to grips with the dynamic behind American intervention in the isthmus since Ottawa's policy towards the region is, in many ways, reactive to US policy. At a more universal level, an examination of US strategic interests in Central America from a Canadian perspective represents a case study of whether the objectives of a middle power such as Canada are compatible with the foreign policy goals of a hegemon such as the United States with respect to the developing countries of this hemisphere. For students of international political economy, the Central American imbroglio is significant since it exemplifies the phenomenon of Third World challenges to the United States' position as hegemonic leader of the capitalist world.

A key argument here is that Central America is quite significant for US strategic interests, as the Reagan Administration claims. However, Washington's policies toward the region appear unlikely to accomplish its objective of ridding the hemisphere of socialism and thus reasserting US hegemony in the Americas. While the Canadian Government shares an interest in bolstering America's hegemonic position globally, and also shares with the U.S.

the vague goal of stability in the hemisphere, Ottawa and Washington disagree on the means to achieve those ends.

I will trace briefly the history of America's effort to establish hegemony in the hemisphere during the nineteenth century to the recent attempts by Washington to reassert its international hegemonic position. An analytical review of American strategic thinking vis-a-vis Central America will be presented, followed by a brief discussion of US policy toward the isthmus from the Canadian perspective.

HISTORICAL ASPECTS OF US INTERESTS IN CENTRAL AMERICA

American interests and intervention in Central America are almost as old as the United States itself. Merely a decade after the birth of the US Constitution, the Americans began to gaze southward in a fashion that foreshadowed United States dominance in the hemisphere. In a letter to James Monroe in 1801, President Thomas Jefferson wrote:

> However our present interests may restrain us within our own limits, it is impossible not to look forward to distant times when our rapid multiplication will expand itself beyond those limits, and cover the whole northern, if not the southern continent, with a people speaking the same language, governed in a similar form, and by similar laws.[1]

---

[1] Quoted in Carlos Fuentes, Latin America: At War with the Past, (Toronto:CBC Enterprises, 1985), p. 44.

Shortly afterward, President Jefferson propounded upon a Manifest Destiny which "required the booming new nation to swoop down over Mexico and Central America, (a view that) was shared by most of the other Founders, including Jefferson's great political rival, Alexander Hamilton."[2] In 1823 the establishment of the Monroe Doctrine served as a warning to European powers that the United States intended to exert exclusive domain over the Western Hemisphere.

By 1850, the United States and Great Britain signed the Clayton-Bulwer Treaty, which stipulated that Britain and America would cooperate in the event of construction of a canal across the Central American isthmus. At that time, the most likely site for a canal was Nicaragua. Thus, while the US had not yet reached the capability to achieve its objective of hegemony over the Western Hemisphere as expressed in the Monroe Doctrine, the Clayton-Bulwer Treaty seemed to indicate that Britain was at least willing to recognize the US as an equal power in the Americas.[3]

By the turn of the century it became clear that the economic, military and political power exercised by the United States in Central America rendered the region to be within the US sphere of influence. Britain had backed down from a potential conflict with the US in 1895-1896 over a disputed boundary in Venezuela, during a crucial episode interpreted to represent British recognition of US hegemony in the Western hemisphere.[4] Still, the British maintained considerable interests in the Caribbean Basin. US economic penetration of the isthmus grew steadily during this period, as did American military intervention. "The United States landed troops in the region some 20 times between 1898 and 1920 alone."[5] This set the tone for what the 20th century had in store for Central America and the United States.

---

[2] Walter LaFeber, Inevitable Revolutions, (New York: Norton and Co., 1983), p. 19.

[3] Ibid., pp. 31-35.

In 1903 the US began construction of the Panama Canal, a feat made possible by American instigation of a political uprising in Panama to pry the area away from Colombian rule. As of result of the strategic significance of the Canal, President Roosevelt in 1904 presented his Corollary to the Monroe Doctrine, which was to lay the basis for a legacy of US intervention in the Americas.

> If a nation shows that it knows how to act with reasonable efficiency and decency in social and political matters; if it keeps order and pays its obligations, it need fear no interference from the United States.
>
> Chronic wrongdoing, or an impotence which results in a general loosening of the ties of civilized society, may in America, as elsewhere, ultimately require intervention by some civilized nation, and in the Western Hemisphere the adherence of the

---

4. Ibid., p. 31.

5. Walter LaFeber, "The Burdens of the Past," in Robert Leiken, ed., Central America: Anatomy of Crisis, (Toronto: Pergamon, 1984), p. 49.

> United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrongdoing or impotence, to exercise an international police power.[6]

Thus, early in the century, the US declared itself the official international police force in the Americas. The Canal was completed in 1914.

It did not take long for Roosevelt's Corollary to find practical application in Central America. The US intervened in Honduras between 1911 and 1912 to establish a government in that country which was sympathetic to Washington's interests during what appeared to be a contest between British and American influence on the isthmus.[7]

Nicaragua also found itself on a collision course with Washington during this time. Nicaraguan President Zelaya's nationalist policies clashed with American interests. Zelaya apparently had not grasped the gravity of the US intent of military, political and economic supremacy in the region. Zelaya was ousted in 1909, and chaos ensued. In an attempt to restore an atmosphere of order in which Washington could exert its hegemony, US Marines landed in Nicaragua in 1912. They occupied the country almost continually until 1933 when they had at last trained the

---

[6] Quoted in James Petras, Michael Erisman and Charles Mills, "The Monroe Doctrine and US Hegemony in Latin America," in James Petras, ed., Latin America: From Dependence to Revolution, (New York: Wiley and Sons, 1973), p. 242.

[7] Walter LeFeber, Inevitable Revolutions, op. cit., p. 44.

Nicaraguan National Guard - an indigenous military force which would defend Washington's interests for almost half a century under the brutal helmsmanship of the Somoza dynasty.

Prior to the establishment of the National Guard, American troops in Nicaragua during the 1920s and 1930s were engaged in warfare with the guerrilla forces of Augusto Sandino, a nationalist who fought to rid his country of Yankee occupation and hegemony. Though Sandino was not a Marxist, it was during these years that the United States began to perceive a Communist threat in the hemisphere. US Secretary of State Frank Kellogg noted in 1927 that

> The Bolshevik leaders have had very definite ideas with respect to the role which Mexico and Latin America are to play in their general program of world revolution.
>
> They have set up as one of their fundamental tasks the destruction of what they term American imperialism as a necessary prerequisite to the successful development of the international revolutionary movement in the New World.
>
> ...Thus Latin America and Mexico are conceived as a base for activity against the United States.[8]

The Great Contest between the capitalist forces of the US and socialist forces aligned with the USSR would become more pronounced as the century wore on.

---

[8] Quoted in Philip Brenner, "Waging Ideological War: Anti-Communism and US Foreign Policy in Central America," in Ralph Miliband, ed., The Socialist Register, (London: Merlin Press, 1984), p. 230.

As the conservative American historian Thomas Leonard points out, "after World War Two, Central America became a microcosm of US Cold War responses to communism."[9] The United States orchestrated the overthrow of Guatemala's President Jacobo Arbenz in 1954. In an analysis which parallels the Reagan Administration's perception of Nicaragua in the 1980s, former US Secretary of State John Foster Dulles observed in 1954 that

> In Guatemala, international communism had an initial success. It began ten years ago, when a revolution occurred in Guatemala.
>
> The revolution was not without justification, but the Communists seized on it, not as an opportunity for real reforms, but as a chance to gain political power.
>
> ...If world communism captures any American State, however small, a new and perilous front is established which will increase the danger to the entire free world and require even greater sacrifices from the American people.[10]

This explanation, however, is less than convincing. It appears that the US overthrew Arbenz largely due to his policy of land reform which contradicted the interests of American-owned banana plantations in the country. Arbenz' policy included the redistribution of 234,000 acres of unused lands[11] owned by the United Fruit Company to landless peasants in Guatemala.[12] The United Fruit Company was to be compensated for the confiscated land. While Marxist instrumentalist theory may be of dubious merit for the task of foreign policy analysis of the major powers in the 1980s, the CIA - directed overthrow of the Arbenz regime represents a textbook case of the theory. As historian Walter LeFeber notes,

---

[9] Thomas Leonard, Central America and United States Policies: 1820s to 1980s (Claremont, Calif.: Regina Books, 1985) p. 81.

[10] John Foster Dulles, "The Kremlin Out to Destory the Inter-American System," in Jonathan Fried, ed., Guatemala in Rebellion: Unfinished History (New York: Grove Press, 1983), p. 78.

> United Fruit launched a massive lobbying campaign for US intervention (in Guatemala). It began with enviable connections to the Eisenhower Administration.
>
> Secretary of State John Foster Dulles and his former New York law firm, Sullivan and Cromwell, had long represented the company (United Fruit).
>
> Allen Dulles, head of the CIA, had served or UFCO's board of trustees. Ed Whitman, the company's top public relations officer, was the husband of Ann Whitman, President Eisenhower's private secretary.
>
> Ed Whitman produced a film, `Why the Kremlin Hates Bananas', that

---

[11] Thomas Leonard, op. cit., p. 57.

[12] It is interesting that this significant episode in the history of American relations with Guatemala goes unmentioned in the Kissinger Commission's historical account of US policy to Central America. See The President's National Bipartisan Commission on Central America, (New York: MacMillan, 1984), Chapter 3, pp. 18 - 46.

For other accounts of the US-directed overthrow of the Arbenz Government, see Milton Jamail and Norma Chinchilla, Garrison Guatemala, (London: Zed Books, 1984), pp. 65 - 78; and Jenny Pearce, Under the Eagle, (London: Latin American Bureau, 1982), pp. 28 - 31.

> pictured UFCO fighting in the front trenches of the Cold War."[13]

Hence, the democratically elected government of Arbenz was replaced by a dictatorship loyal to US interests.

There have been numerous other venues in the Americas which have witnessed Washington's war against socialism. The US has on more than one occasion unsuccessfully attempted to topple the Castro regime in Cuba, but has found more success with invasions of the Dominican Republic in 1965 and Grenada in 1983.

---

13. Walter LeFeber, Inevitable Revolutions, op. cit., pp. 118 - 119.

Recent US Policy Toward Central America[14]

The strategic security of Central America did not evolve into a prominent issue in the United States until the Nicaraguan Revolution in 1979. Indeed, the fact that the Panama Canal treaties in 1977-78 "were able to gain support in Congress was one measure of confidence that security (in the region) was not threatened."[15]

From the beginning, the United States Government adopted an adversarial position toward the Sandinistas. When the FSLN (Sandinista National Liberation Front) came to power in June, 1979, the Carter Administration called for the establishment of an interim government in Nicaragua which would exclude the FSLN.[16] No other country in the Organization of American States supported Carter's proposal, except Canada, which has permanent observer status in the organization.[17] President Carter grudgingly came to accept Managua's leftist government. He initiated a $150 million aid package to the war-ravaged country, while applying a stipulation that more than half of the assistance go the the Nicaraguan private sector.[18] He would later be criticized for his position toward Nicaragua by the architect of the Reagan Administration's policy to the region. Jeane Kirkpatrick charged Carter with "ignoring the force of ideology" and indicted him for his "flawed belief that change per se in such autocracies is inevitable, desireable, and in the American interest."[19]

---

[14] While the central purpose of this chapter is to offer an analysis of American strategic interests in Central America, it may be helpful to note that there has been a proliferation of books and articles in the 1980s which describe American policy to the region in great detail. A very short list of these include: Richard Feinberg, ed., Central America: International Dimensions of the Crisis (New York: Holmes and Meier, 1982); Donald Schulz and Douglas Graham, eds., Revolution and Counterrevolution in Central America and the Caribbean (Boulder: Westview, 1984); Jeff McMahan, Reagan and the World (New York: Monthly Review, 1985); Tom Barry, ed. et. al., Dollars and Dictators (New York: Grove Press, 1983); Kenneth Coleman and George C. Herring, ed., The Central America Crisis: Sources of Conflict and The Failure of US Policy (Wilmington, Del.: Scholarly Resources, 1985); Jenny Pearce, Under the Eagle (London: Latin America Bureau, 1982); Robert S. Leiken, ed., Central America: Anatomy of Conflict (Toronto: Pergamon, 1984); Tom Barry and Deb Preusch, The Central America Fact Book (New York: Grove Press, 1986); Noam Chomsky, Turning the Tide (Montreal: Black Rose, 1986); Stan Persky, The Last Domino (Vancouver: New Star, 1984).

[15] Margaret Daly Hayes, "US Security Interests in Central America in Global Perspective," in Richard Feinberg, ed., Central America, op. cit., pp. 86-87.

The aid package to Nicaragua initiated by the Carter Administration was terminated in January, 1981, just after Ronald Reagan was inaugurated as the President of the United States. Also during this period, President Reagan "approved CIA covert support for the Nicaraguan Contras. Some 150 CIA agents were reportedly training and supplying these

---

[16] Thomas Leonard, op. cit., p. 68.

[17] This point will be developed in Chapter Five.

[18] Interview, David Randolf, Political Analyst, US Embassy in Managua, Nicaragua, 5 July 1984. See also Noam Chomsky, op. cit., p. 128.

[19] Jeane Kirkpatrick, Dictatorships and Double Standards (New York: Simon and Schuster, 1982), pp. 64, 34.

Honduran-based forces."[20] The Contras began as a 500-man army,[21] and its staff of commanders have been dominated by ex-members of deposed dictator Anastasio Somoza's National Guard.[22]

The Reagan Administration's funding of covert warfare against the Sandinistas continued at least until October, 1984.[23] At that point the US Congress insisted that such funding be terminated in the wake of the public disclosure of the CIA's handbook of psychological warfare against the Sandinistas, and when Congress was confronted with the World Court's decision that Washington breached international law by the CIA-directed mining of Nicaraguan harbours earlier in the year.[24] "The Reagan Administration announced that it would ignore the Court's Central America rulings for two years,"[25] presumably because they would conflict with Washington's definition of American national interests in the isthmus.

---

[20] Thomas Leonard, op. cit., p. 72.

[21] Viron Vaky, "Reagan's Central America Policy," in Richard Feinberg, ed., Central America, op. cit., p. 251.

[22] By mid-1984, 46 out of 48 of the Contra Commandantes were former National Guardsmen. See Noam Chomsky, op. cit., p. 13.

[23] The episode regarding Nicaragua's capture of American mercenary Eugene Hasenfus in October, 1986, has raised doubts concerning whether American covert funding for the Contras was actually terminated in October, 1984. See, for example, Globe and Mail, 16 October 1986.

[24] The International Court of Justice made its ruling on 10 May 1984, Globe and Mail, 11 May 1984.

[25] Thomas Leonard, op. cit., p. 77.

The US decision not to abide by the ruling of international courts on matters concerning Central America is not a new phenomenon. Washington, for example, initiated the establishment in 1907 of the Central American Court of Justice, which had as its primary purpose the adjudication of conflicts between Latin states. "A few years later, the Court was destroyed by US refusal to recognize its decision with regard to US intervention in Nicaragua."[26] Most recently, the World Court once again found the US to be in violation of international law two days after Congress voted in favour of $100 million aid package for Contra forces and officially unleashed the CIA to undermine the Nicaraguan Government. On June 27, 1986, the Court stated that

> The United States of America, by training, arming, equipping, financing and supplying the Contra forces or otherwise encouraging, supporting and aiding the military and paramilitary activities in and against Nicaragua, has acted against the Republic of Nicaragua, in breach of its obligations under customary international law not to intervene in the affairs of another state.[27]

Further, members of the General Agreement on Trade and Tariffs (GATT) have criticized Washington's economic warfare against Nicaragua, which has included an economic embargo of the country imposed in 1985.[28] Nevertheless, American support for the Contras, and for the overthrow of the Sandinista Government in Nicaragua,[29] continues to escalate.

---

[26] Noam Chomsky, op. cit., p. 91.

[27] Quoted in Central America Update, Vol. 8, #1, July/August 1986, p.l.

There does, however, appear to be some disagreement among American policy makers regarding the means to achieve the eradication of the Sandinista regime. William LeoGrande, a member of the Senate Democratic Policy Committee and the author of several works on US policy to Latin America, observes that "there's a faction that wants to invade (Nicaragua) and another that thinks invasion is unwise."[30] The current American strategy of low intensity conflict in Central America will be addressed later.

The civil war in El Salvador has also been of concern for American policy makers who wish to rid the isthmus of socialist forces. American attempts to quash leftist guerrillas in the country commenced under the Carter Administration. When Salvadoran Government forces murdered four US nuns, Washington temporarily terminated its aid to the country against the backdrop of the President's publicized campaign to improve the record of human rights in American client states. But Washington resumed economic assistance to El Salvador four days before Carter left the resumption of aid by stating that

---

[28] Noam Chomsky, op. cit., p. 91.

[29] The Reagan Administration's wish to overthrow the Sandinistas has become quite clear through a number of remarks made by President Reagan, such as "The cancer that has to be excised is Nicaragua," Time, 16 March 1986.

[30] The Progressive, December, 1985.

> We must support the Salvadorean government in its struggle against left wing terrorism supported covertly with arms, ammunition, training, and political military advice by Cuba and other Communist nations.[31]

Hence, to this extent, there was continuity between the Carter and Reagan Administrations regarding policy to El Salvador. "The Reagan Administration shared Carter's view that a leftist victory in El Salvador had to be prevented."[32]

American policy under the Reagan Administration included an insistence upon elections in El Salvador and other US client states in the region. Such a strategy would allow Washington to claim that its authoritarian Third World allies possess the propensity to evolve into democracies, as propounded by Jeane Kirkpatrick,[33] and that the United States supports an ideology of democracy in the Americas. Thus, the Reagan Administration has argued that the structures of 'democracy' in El Salvador, Guatemala and Honduras stand in sharp contrast to the 'totalitarian' Sandinista regime which gained power illegitimately through

---

[31] Quoted in Philip Brenner, op. cit., p. 250.

[32] Thomas Leonard, op. cit., p. 70.

[33] See Jeane Kirkpatrick, Dictatorships and Double Standards (New York: American Enterprise Institute, 1982), pp. 23 - 53.

"popular-front" tactics.[34] Moreover, the election of President Jose Napolean Duarte in El Salvador in 1984 has permitted the US to insist that it is providing military support to a democratically elected civilian government, not a military regime.

The Kissinger Commission has argued that "the United States has not provided enough military aid to support the methods of counter-insurgency we have urged (in El Salvador)."[35] Washington has taken the advice of the Commission on this matter.[36] The US has adopted a strategy of low intensity conflict to combat leftist guerrillas in El Salvador, which has included tactics such as aerial bombardment of peasant villages which are suspected to be sympathetic to the socialist guerrillas.[37] Further, American military assistance to its Central

---

[34] The Report of the President's National Bipartisan Commission on Central America, op. cit., pp. 105, 107.
The United States has refused to recognize the legitimacy of Nicaraguan elections in 1984, and therefore does not consider the Sandinista Government to be democratic.

[35] Ibid., p. 120.

[36] For a discussion of the Reagan Administration's steady increase of aid to El Salvador, see Thomas Leonard, op. cit., p. 71.

[37] Central America Update, Vol. 7, #6, May/June, 1986, p. 22.

American client states increased 20-fold between 1978 and 1985,[38] reaching $1433.7 million in 1985.[39]

Washington's policy toward Honduras, Central America's poorest country, is coloured by its role as landlord to the Contra forces. As the geopolitical significance of Honduras has increased commensurately with Washington's resolve to topple the Sandinistas, so too has American military aid to Tegucigalpa escalated. US military assistance to the country rose from $4 million in 1980 to $79 million in 1984.[40] American military and economic assistance to Honduras reached $200 million in 1986, and the Reagan Administration has requested $300 million for 1987.[41]

In a widely publicized event, about 1,500 Nicaraguan troops crossed the Honduran border in March, 1986, to strike at a Contra camp.[42] The episode represented something of an embarrassment to both the United States and Honduras, since Tegucigalpa at that point still refused officially to acknowledge the presence of Contra bases on its soil. During the summer of 1986, the Honduran Government indicated that it would no longer allow the training of Contras in the country. It was observed that "CIA training (of the Contras)...is likely to be conducted quietly on Honduran territory despite public vows by Honduran officials that they will not permit it."[43]

---

[38] Central America Udpate, Vol. 7, #5, March/April, 1986, p. 25.

[39] Joshua Cohen and Joel Rogers, Inequity and Intervention: The Federal Budget and Central America, (Boston: South End Press, 1986), p. 43.

[40] Central America Update, Vol. 6, #2, September/October, 1984, p. 15.

[41] Central America Update, Vol. 8, #2, September/October, 1986, p. 9.

[42] Central America Update, Vol. 7, #6, May/June, 1986, p. 35.

US policy toward Guatemala, "a country where 80% of the arable land is owned by 2% of the population...",[44] has not received considerable attention by the North American media though a civil war continues there. The Carter Administration officially severed military aid to Guatemala in 1977 due to that country's abysmal record of human rights violations. Nevertheless, American strategists have succeeded in ensuring that the Guatemalan Government is equipped with ample military supplies for its brutal war with leftist guerrillas. This has been accomplished through the shipment of military supplies to the country from US allies, especially Israel.[45] Israeli military assistance to Guatemala was estimated at $90 million in 1982.[46] With the election of President Vinicio Cerezo in 1985, Guatemala officially has adopted a position of neutrality vis-a-vis the US war with Nicaragua.

---

43. Los Angeles Times, 6 September 1986.

44. Central America Update, Vol. 8, #2, September/October, 1986, p. 10.

45. See, for example: Edgar Dosman, Latin America and the Caribbean (Ottawa: Department of National Defence, 1984), pp. 83-84; The Progressive, May, 1986; and Central America Update, May, 1986.

46. Noam Chomsky, op. cit., p. 35.

United States policy toward Costa Rica in the 1980s has been characterized by repeated American attempts to militarize this rather peaceful country which officially has had no armed forces since 1948. Observers have pointed to "unprecedented military assistance from the United States" aimed at a "reorganization of (Costa Rican) police forces."[47] Since Costa Rica shares a border with Nicaragua, Washington has urged the country to arm itself as the US-Nicaraguan battle escalates. Recently elected Costa Rican President Oscar Arias appears to concur with the Reagan Administration's views of both Nicaragua's internal politics and the perception of the Sandinistas as a threat to the security of other states on the isthmus. Arias stated in October, 1986, that Nicaragua has a "totalitarian government" and that the Sandinistas "will try to subvert Costa Rican democracy."[48]

While I have discussed above some highlights of US politico-military policy to individual Central American states, it may be helpful at this point to discuss briefly some general American policies to the region as a whole. The Reagan Administration has recognized that economic problems in Central America have contributed to the political crises there.[49] In an attempt to offset such difficulties, the Reagan Administration launched the Caribbean Basin Initiative in February, 1982. It was finally passed by Congress at the end of the 1983 session.[50] The Initiative consisted of two major components. First, it entailed a system of dismantling tariffs with respect to certain goods produced in the region and destined for export to the US. Congress, growing increasingly protectionist at the time, was reluctant to accept this aspect of the Initiative. This accounted for the lengthy period it took the US legislature to pass the CBI. Second, the Initiative offered grants and tax incentives to American businesses wishing to invest in the region. To be elegible for the programme, regional states would also have to adopt a firm commitment to less government intervention in the economy.[51] Thus, Washington believed that elevated levels of foreign investment and a freer trading climate would stimulate the economy and thus help eliminate the escalating political turmoil in the Caribbean Basin.

---

[47] Central American Update, Vol. 6, #4, January/February, 1986, p. 18.

[48] Los Angeles Times, 12 October 1986, Part V, p. 6.

[49] The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 47.

The CBI has not appeared to alleviate in any significant way the economic crises in Central America. While the economic predicament of each Central American country will be discussed in Chapter Four, suffice it to say here that the political turmoil on the isthmus coupled with low world prices for regional staple products have resulted in protracted economic woes. The civil wars in El Salvador and Guatemala have generated widespread destruction of infrastructure and capital in those countries. The war in Nicaragua has contributed to its troublesome financial situation, while Costa Rica suffers enormous burdens of foreign debt and domestic economic stagnation.[52]

---

[50] Thomas Leonard, op. cit., p. 75.

[51] This stipulation is also a component of US Treasury Secretary Baker's current plan to alleviate Third World debt problems. Debtor nations in Latin America, for example, are eligible for additional loans through the International Monetary Fund and the World Bank only if they "take steps to make their economy more market oriented," Globe and Mail, 4 October 1986.

Finally with respect to US policy vis-a-vis Central America, Washington's reaction to the Contadora process is worthy of consideration. In general, "The Reagan Administration ...ignored the Contadora process,"[53] which was established by four of Central America's neighbours - Mexico, Venzuela, Panama and Colombia. The death knell of the Contadora Initiative came in September, 1984, when the US and its allies in Central America initially backed a draft of the Contadora Treaty which would have established demilitarization of the region. In a surprise move, Managua indicated that it would sign the Treaty. Suddenly, the US found fault with the Contadora initiative and shortly afterwards its client states in the region refused to become signatories to the Treaty.[54] Since then, deadline after deadline has passed for Contadora, the most recent of which occurred in June, 1986. Shortly after Washington dismissed John Ferch as US Ambassador to Honduras, he observed that "I always thought we meant what we said. We wanted pressures so we could negotiate. I'm beginning to think I accepted something that wasn't true...Our goal is something different. It's a military goal."[55] It would seem quite plausible, then, that the Contadora process has been undermined by Washington's adoption of a military solution to the Central American crisis, in lieu of diplomatic remedy such as the Contadora Treaty which would leave the Sandinista leadership intact.[56]

---

[52] Liisa North, ed., Negotiations for Peace in Central America (Ottawa: Canadian Institute for International Peace and Security, 1985), p. 11; and Central America Update, Vol. 7, #6, May/June, 1986, p. 40.

[53] Thomas Leonard, op. cit., p. 77.

In general, US policy toward Central America in the 1980s has been characterized by an increasingly potent resolve to eradicate socialist forces on the isthmus. While the principal conflict in the region is between Nicaragua and the US, Washington is also engaged in redoubled efforts to quash leftist forces involved in the civil wars of El Salvador and Guatemala. Honduras, and to a lesser extent Costa Rica, have become significant to US strategy due to their geographical position as neighbours to Nicaragua.

---

[54] For a detailed discussion of the Contadora Initiative, see John Foster, "Contadora Crunch: A Politico-culinary Quandary, Toward a Recipe File for Creative Engagement in Central America," paper presented at the International Confernce on Liberation Theology, Simon Fraser University, Burnaby, B.C., Canada, 8 February 1986.

[55] Quoted in Central America Update, vol. 8, #2, September/October, 1986, p.9.

[56] Similar views have been presented by former US ambassador to Costa Rica, Colombia and Venezuela, Viron Vaky, "Reagan's Central America Policy," in Robert Leiken, ed., Central America: Anatomy of Conflict (Toronto: Pergamon, 1984), pp. 243-244; and Sara Miles, "The Real War: Low Intensity Conflict in Central America," NACLA Report on the Americas, vol. 20, #2, April/May, 1986, p. 32.

US STRATEGIC INTERESTS IN CENTRAL AMERICA

As historian Walter LaFeber has observed, "...no region in the world is more tightly integrated into the US economic and security system than Central America."[57] While Canada may represent an obvious exception to LaFeber's observation, the point here is that American hegemony vis-a-vis Central America was accomplished in no small measure by the legacy of US military and economic intervention in the region, as we saw earlier. The isthmus remained unquestionably secure for US strategic interests until the late 1970s.

At that time the political climate changed in Central America and in other Third World regions, and relations chilled between Washington and Moscow. In 1979, a nationalist revolution swept through Iran which rebuked decades of American hegemony there, the Soviet Union boldly invaded Afghanistan in an attempt to retain the country within Moscow's sphere of influence, and the Sandinista Revolution in Nicaragua introduced socialism to a region previously considered to be America's backyard. These events, considered against the backdrop of prior socialist victories in Third World states such as Viet Nam, Ethiopia,

---

[57] Walter LaFeber, Inevitable Revolutions, op. cit., p. 18

Angola and elsewhere, led to a perception among some analysts that America was weakening as a global power. As the current US Secretary of Defense Caspar Weinberger observed, "If movement from Cold War to detente was progress, then let me say that we can't afford more progress."[58]

It was during this scenario that some American analysts criticized the Carter Administration for being soft on communism in the Third World.[59] The Reagan Administration swept into office in 1981 with a clear commitment to reverse any real or perceived decline in American hegemony. One facet of this commitment entailed President Reagan's campaign to safeguard the Americas from Soviet-Cuban penetration. Reagan emphasized that "we have been slow to understand that the defense of the Caribbean and Central America against Marxist Leninist takeover is vital to our national security."[60] This point was expanded upon by the President in a speech in 1983.

> The national security of all the Americas is at stake in Central America...We have a vital interest,

---

[58] Quoted in Jeff McMahan, Reagan and the World: Imperial Policy in the New Cold War (New York: Monthly Review Press, 1985), p. 11.

[59] See Jeane Kirkpatrick's "Dictatorships and Double Standards," Commentary, November, 1979.

[60] Quoted in Wayne S. Smith, "Reagan's Central America Policy," in Donald Schulz and D. Graham, eds., Revolution and Counterrevolution in Central America and the Caribbean, op. cit., p. 493.

> a moral duty and a solemn responsibility (in the region).
>
> If Central America were to fall, what would the consequences be for our position in Asia, Europe, and for alliances such as NATO?
>
> If the US cannot respond to a threat near our own borders, why should the Europeans or Asians believe that we are seriously concerned about threats to them?[61]

Clearly, then, the Reagan Administration regards Central America as a vital interest. Let us probe more deeply the issue of why Washington considers the region to be so crucial to US security.

President Reagan's remarks above indicate that one reason why Central America is considered to be significant for the United States is that the region traditionally has been within the US sphere of influence, and that any perception of rupture of this influence may erode American credibility elsewhere on the globe.[62] In other words, "Washington's ability to control events in Central America, by force and/or by other means, is still perceived as crucial to the projection of US power worldwide..."[63] One observer has suggested that the hard-line American policies toward the region have succeeded in creating the perception of a renewed US credibility. "Reagan has indeed frightened Castro and the Sandinistas; hence his credibility is very high."[64]

---

[61] Quoted in Viron Vaky, "Reagan's Central America Policy," op. cit., p. 237.

[62] This conclusion also has been reached by the Kissinger Commission. See The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 111.

[63] Sara Miles, "The Real War: Low Intensity Conflict in Central America," NACLA Report on the Americas, vol. 20, #2, April/May, 1986, p. 18.

A significant implication of Nicaragua's location within the US sphere of influence, according to the logic of the argument outlined above, is that the country must not challenge the political and economic orthodoxy established by the US in the region. The perceived restrictions upon Nicaragua's freedom to opt for a political economy incompatible with American interests is well understood by Arturo Cruz Segueira, an ex-Sandinista official as well as an ex-leader of the Contras. Cruz has observed that "Nicaragua's eventual walk down a socialist path would have to accommodate the geopolitical constraint of existence within the American sphere of influence."[65] As a former leader of President Reagan's 'freedom fighters', Cruz was apparently willing to work within such contraints.

While the notion of international credibility appears to be one factor behind current US involvement in Central America, another prominent motive seems to be the expressed concern for the proliferation of Soviet influence in the hemisphere. A diplomat at the American Embassy in Ottawa who is familiar with Central American politics suggests that the Soviet Union has tried to subvert the Caribbean Basin through "its surrogates in Central America. Almost immediately after the Sandinistas took power, the USSR was there."[66] Similarly, the Kissinger Commission argues that

---

[64] Donald Schulz, "Postscript: Toward a New Central America Policy," in Donald Schulz and D. Graham, eds., Revolution and Counterrevolution in Central America and the Caribbean, op. cit., p. 511.

[65] Arturo Cruz Segueira, "The Origins of Sandinista Foreign Policy," in Robert Leiken, ed., Central America: Anatomy of Conflict, op. cit., p. 96.

> The use of Nicaragua as a base for Soviet and Cuban efforts to penetrate the rest of the Central American isthmus, with El Salvador the target of first opportunity, gives the conflict there a major strategic dimension.
>
> The direct involvement of aggressive external forces makes it a challenge to the system of hemispheric security, and, quite specifically, to the security interests of the United States. This is a challenge to which the United States must respond.[67]

This argument suggests that the existence of socialist regimes in Central America, such as the Sandinista Government in Nicaragua, is naturally inimical to US interests since such regimes are prone to alignment with the USSR and hence lead to the establishment of Soviet military installations. Such a scenario, the Reagan Administration claims, wields the potential to weaken American military power. That is, not only do socialist states in Central America erode the intangible US credibility on the international stage, such countries also erode the real military power capability of the United States. Let us explore this further.

---

[66] Interview, William Harbin, Counsellor, United States Embassy, Ottawa, 29 May 1985.

[67] The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 151.

The Kissinger Commission claims that Sandinista Nicaragua threatens actual American military power by imposing "a potentially serious threat to our shipping lanes through the Caribbean."[68] Further, the unchecked power of the Sandinistas presumably would lead to "a series of developments which might require us to devote large resources to defend the southern approaches to the United States, thus reducing our capacity to defend our interests elsewhere."[69] Concern regarding the security of the 'southern approaches' is particularly pronounced among policy makers from the sunbelt region of the United States, who have become politically ascendent during the Reagan Administration and whose international orientation is more toward Latin America in contrast to the Northeasterners' preoccupation with Europe.[70] Implicit in the major points above is the view that the United States must represent the uncontested external influence in the hemisphere.[71]

---

[68] Ibid., p. 111.

[69] Ibid.

[70] See, for example, Barry Rubin, "Reagan Administration Policy Making in Central America," in Robert Leiken, ed., Central America: Anatomy of Conflict, op. cit., p. 301. In addition to a strategic concern regarding the Central American conflict, some policy makers from the southwestern United States also fear the influx of refugees that a regional war may create.

In addition to the strategic-military arguments advanced by the Reagan Administration and its supporters for intervention in Central America, there may also be other motives behind Washington's policy toward the region. Analysts such as Fred Halliday view the Reagan Administration's Central American policy as one facet of a 'Great Contest'[72] between the Soviet Union and the United States in the Third World. Seen from this perspective, American intervention in Nicaragua and elsewhere on the isthmus is one component of a "...conflict between two rival social systems, capitalist and communist...both (of which) stake an ideological claim to be world systems, ideal societies which others should aspire to follow."[73] Radical analysts such as James Petras have argued that Washington's policy toward Central America exemplifies an attempt to create a favourable balance of power of class forces in the Third World.[74] Hence, US policy toward Central America may be motivated by economic and ideological forces as well as by the military-strategic considerations voiced so frequently by the Reagan Administration. The merging of these sorts of foreign policy determinants is what Bernard Baruch referred to as "the essential one-ness of (US) economic, political and strategic interests."[75]

---

[71] For a discussion of this contention, see Viron Vaky, "Reagan's Central America Policy," op. cit., p. 240.

[72] This term was coined by Isaac Deutscher in his book The Great Contest: Russia and the West (New York: Ballantine, 1960).

[73] Fred Halliday, The Making of the Second Cold War, (London: Verso, 1983), pp. 30, 32-33.

[74] James Petras, Capitalist and Socialist Crises in the Late Twentieth Century (Totawa: Rowman and Allanhead, 1984), p. 8.

Let us explore a bit more closely some issues concerning US ideological and economic interests in Central America. Certainly Nicaragua in particular, and Central America in general, are not crucial in an economic sense to the United States.[76] But, as Jeane Kirkpatrick points out, Latin America "accounted for one-sixth of all US exports and 80 percent of US private investment in the developing world."[77] While Central America may not be particularly significant for US business interests, therefore, Latin America as a whole is considerably more important.

The point here is that if Washington were to permit a socialist state such as Nicaragua to flourish, portions of the population in other parts of the Americas may wish to establish a similar political economy. This argument rests on the proposition that indigenous factors are at the root of revolutionary sentiment in Latin America. Hence, it is unlikely that Soviet or Cuban intervention will spark revolution in the hemisphere, though they might wish to exploit indigenous revolutionary tensions for strategic purposes once these arise.

---

[75] Quoted in S. Miller, Roy Bennet and Cyril Alapatt, "Is Imperialism Really Necessary?", in Harry Magdoff, ed., Imperialism: From the Colonial Age to the Present (New York: Monthly Review Press, 1978), p. 239.

[76] US direct investment in Central America (including Belize and Panama) was $3,140 million in 1977, see Tom Barry and Beth Wood, eds., Dollars and Dictators, op. cit., p. 250. This work also discusses other aspects of Central America's economic relationship with the US.

[77] Jeane Kirkpatrick, Dictatorships and Double Standards, op. cit., p. 62. Figures are for 1979.

It is true that the American business community has been capable of enjoying profitable economic relations in socialist states, as exemplified in the rather bizarre case of Cuban troops guarding Gulf's oil refinery from US-directed guerilla forces in socialist Angola. It is appears to be the case, however, that socialist regimes in Latin America have tended to exact higher rents from multinational corporations and have expropriated them in some cases. To this extent, MNCs may find capitalist political economies to be more accommodating to their interests.

As we have seen above, the Reagan Administration's Caribbean Basin Initiative certainly has encouraged a free enterprise system entailing a minimum of government intervention in the economy, as is the case with respect to Washington's recent programme of assistance to Latin America's debtor nations.[78] The strong American preference for a free enterprise economic orthodoxy in Latin America is not a new phenomenon. As Jeff McMahan observes, US interventions

---

[78] For a discussion of US Treasury Secretary James Baker's plan to alleviate debt problems in the Third World, see the Globe and Mail, 4 October 1986.

> ...in Guatemala in 1954, in Cuba in 1961, in the Dominican Republic in 1965, and in Chile both prior to and throughout the tenure of Salvador Allende can all be explained to a considerable extent in terms of the US Government's determination to protect or restore the privileged positions of US businesses in those countries.[79]

While some analysts may not accept the view that American economic interests represented the chief motivation behind those US adventures, it would nevertheless appear to be the case that economic interests were at least one significant factor behind such interventions.

Currently, there are indications that prominent American business organizations are less than enthused with Nicaragua's socialist experiment. Standard Fruit Co. pulled out of the country in 1980. The Nicaraguan Government recently has filed a $35.5 million suit against the company and its parent, Castle and Cook Inc., alleging that the corporation illegally cancelled agreements to purchase its bananas.[80] Another example of the sour attitude among the American business community toward Nicaragua includes an incident whereby the President of the American Chamber of Commerce in Nicaragua was declared 'persona non grata' by Managua due to anti-Sandinista testimony given before US

---

[79] Jeff McMahan, Reagan and the World, op. cit., p. 13.

[80] Globe and Mail, 23 October 1986.

Congress.[81] Finally, a political economist who specializes in the study of American business relations in Latin America concludes that

> Industries that have direct investments in Central America and that fear nationalization have an obvious interest in preventing revolutionary regimes in the region.
>
> By themselves, these firms would not be a significant political force.
>
> But they can be joined by the more numerous and more substantial firms with large direct investments in South America and Mexico that may come to fear a domino effect from revolutions in Central America.[82]

Hence, it would seem that significant elements of the American business community would prefer to arrest the proliferation of socialism in Central America, in particular, and in Latin America, in general. Importantly, however, it is not at all clear that the policies of the Reagan Administration in Central America are working in favour of US business interests, at least in the short term. I shall return to this point later.

---

[81] John Purcell, "The Perceptions and Interests of US Business in Relation to the Political Crisis in Central America," in Richard Feinberg, ed., Central America: International Dimensions of the Crisis, op. cit., p. 118.

[82] James Kurth, "The United States and Central America," in Richard Feinberg, ed., Central America: International Dimensions of the Crisis, op. cit., p. 52.

While our primary purpose here is to explore American strategic interests in Central America as an international determinant behind Canadian policy towards the region, it seems worth noting that American strategic interests in the isthmus are in many ways a product of the United States' domestic political economy. Thus, elements of Cranford Pratt's dominant class theory might be quite helpful in an analysis of the domestic determinants of American foreign policy toward the isthmus. The discussion above pointed to the interests of the US business class in and around Central America, both historically and currently. The anti-communist sentiment of the American business class was also noted, and this appears congruent with Pratt's dominant class theory. One facet of Pratt's model that does not seem compatible with the Reagan Administration's policy toward Central America concerns the Government's theoretical interest in stability. I will argue that Washington appears to be generating instability in the region--through its militarization of the isthmus. Perhaps the Reagan Administation is willing to risk short-term instability in the hopes of restoring, in the long term, economic and ideological orthodoxy in the Americas. But, as I will attempt to show later, it is not clear that Washington's policy will produce this possible long-term goal.

In sum, there appear to be military-strategic, economic and ideological motivations which lead the Reagan Administration to insist that Central America is vital to US interests. Through its public pronouncements, Washington has focused on what it perceives to be the military threats posed by the Sandinistas in a region historically considered to be America's strategic backyard. These perceived threats include an erosion of US credibility globally as well as a curtailment of real American military power in the hemisphere through the creation of Soviet military bases in Nicaragua. As we have seen above, many of Reagan Administration's statements regarding Central America are heavily laced with ideological sentiment, inciting one observer to comment that "...the confusion between ideology and interest has transformed the nature of superpower rivalry."[83]

While President Reagan has argued that America is militarily threatened by the Sandinistas and is ideologically opposed to what he views as Nicaragua's commmuist and totalitarian government, Washington has refrained from suggesting any economic motivations behind its foreign policy to Central America. I have argued above that while Central America itself is not particularly significant to the economic interests of the United States, the unchecked proliferation of socialism throughout Latin America would be viewed as quite an unwelcome prospect by sectors of the American business community. It would also shift the balance of class forces in the Third World in favour of Moscow. Hence, this may be another reason why the Reagan Administration seems unwilling to establish the precedent of allowing a socialist state such as Nicaragua to flourish in the hemisphere.

---

[83] Alan Wolfe, "The Irony of Anticommunism," Socialist Register (London: Merlin, 1984), p. 216.

Jeane Kirkpatrick would seem to be correct with respect to her observation that Nicaragua's "...location gives it strategic importance out of proportion to its size or strength."[84] Indeed, the US war against Nicaragua is one facet of the Great Contest between the two rival systems of capitalism and socialism - a contest which links military power, economic and class interests, as well as the forces of ideology. Parenthetically, it may be of interest to note that the meshing of such factors is considered in the Gramscian theory of hegemony. Robert Cox points out that Gramsci "used the concept of hegemony to express a unity between objective material forces and ethico-political ideas - in Marxian terms, a unity of structure and superstructure."[85]

Now that American policy and strategic thinking regarding the Central American imbroglio have been presented, let us proceed to a critical evaluation of them. Two central questions emerge: Is Central America really vital to US interests? Will the policies of the Reagan Administration vis-a-vis Central America be successful?

---

[84] Jeane Kirkpatrick, Dictatorships and Double Standards, op. cit., p. 48.

[85] Robert Cox, "Labor and Hegemony," International Organization, vol. 31, #3, p. 387.

There has been quite a debate over the issue of whether or not Central America is indeed vital to US interests, as the Reagan Administration and its supporters claim. It may be the case that Washington has overstated the threat Nicaragua represents to the United States. From a military perspective, it seems doubtful that the Sandinistas possess sufficient power to threaten seriously American interests on the mainland or seas of the Western hemisphere, in contrast to the assertions of some US policy makers. Certainly a case can be made that US aggression toward Nicaragua served as a catalyst for the military buildup there. After careful study, a Canadian Parliamentary Standing Committee on Central America provided Managua with "the benefit of the doubt" that the build-up of its armed forces has been "solely for defensive purposes."[86] While Nicaragua itself may not represent a serious military threat to US interests, a proliferation of socialist states in the hemisphere which are aligned with Moscow may result in a legitimate threat to US security in the Americas, as the Kissinger Commission has suggested. Hence, American fears of a domino effect on the isthmus may be well-founded.

Further, the cynicism expressed by some US policy makers with respect to nationalist revolutionaries in Latin America may have backfired to the extent that it has cast doubt on portions of Washington's analysis of the Central American crisis. In a critique of former US Ambassador Jeane Kirkpatrick's views on Latin revolutionaries, American analyst Wayne Smith reaches the conclusion that "Tom Paine and Patrick Henry would have been puzzled by her reasoning which reduces all revolutionaries to the status of 'terrorists'."[87]

---

[86] Canada, Standing Committee on External Affairs and National Defence, Canada's Relations with the Caribbean and Central America (Hull: Canadian Government Publishing Centre, 1982), p. 24.

Conservative analyst Robert Tucker argues that Central America represents a "less than vital interest" for the United States,[88] a view which is shared by others including former US Ambassador to a number of Latin countries, Viron Vaky.[89] In a brilliant analysis of the significance to the superpowers of the process of decolonization during the Cold War of the 1950s, Tucker suggests that "almost any feasible shift" in the political allegiance of Third World states "could not have decisively altered the respective power positions of the United States and the Soviet Union..."[90]

---

[87] Wayne Smith, "Reagan's Central America Policy: Disaster in the Making," in Donald Schulz and D. Graham, eds., Revolution and Counterrevolution in Central America and the Caribbean , op. cit., p. 484.

[88] Robert Tucker, "In Defense of Containment," in Herbert Levine, ed., World Politics Debated (Toronto: McGraw-Hill, 1986), p. 154.

[89] Viron Vaky, "Reagan's Central America Policy," op. cit., p. 235. Other analysts adopt this position as well, including James Kurth, "The United States and Central America," in Richard Feinberg., ed., Central America:International Dimensions of the Crisis, op. cit., p. 51.

[90] Robert Tucker, The Inequality of Nations, (New York: Basic, 1977), pp. 43-44.

The situation is generally similar today, according to Tucker. He argues that the Reagan Administration's preoccupation with the balance of power in the Third World is misplaced, since

> ...Moscow might be able to turn its attention elsewhere and with greater effect.
>
> Rather than closing the gap between our commitments and our power, Soviet ascendance in Europe consequent upon US withdrawal there (in favour of a focus on the Third World) might well have the effect of widening this gap.
>
> Having abandoned what had heretofore been the center of our interest for the periphery, we would find the periphery increasingly difficult to secure against the improved power position of the Soviet Union.[91]

This line of reasoning can be traced back to the work of other conservative thinkers in the US during the post-War era.

Tucker shares Walter Lippmann's view, for example, that the principal "natural allies of the United States are the nations of the Atlantic Community."[92] In the 1980s, of course, one would also have to add to the list Japan and the Middle East. Hence, according to this position, it is those areas which ought to merit the primary focus of US policy

---

91. Robert Tucker, "Isolation and Intervention," The National Interest, Fall, 1985, p. 24.

92. Walter Lippman, The Cold War: A Study of US Foreign Policy (New York: Harper and Brothers, 1947), p. 24.

makers. To do otherwise is to court danger with respect to the America's strategic position and thus the global balance of power. Lippmann observed that

> By forcing us to expand our energies and our substance upon the dubious and unnatural allies on the perimeter of the Soviet Union, the effect is to neglect our natural allies in the Atlantic community, and to alienate them.
>
> ...The Russians can defeat us by disorganizing states that are already disorganized, by disuniting peoples that are torn with civil strife, and by inciting their discontent which is already very great.[93]

When one extrapolates this analysis to the 1980s, it can serve to debunk the Reagan Doctrine, which aims to reverse Soviet gains in such Third World countries as Angola, Kampuchea, Afghanistan and Nicaragua.[94]

Lippmann's point that the adoption by the US of such a policy is bound to alienate its allies in the Atlantic community would appear to ring true with respect to Washington's current stance vis-a-vis Nicaragua. Indeed, "no major government supports its (the Reagan

---

[93] Ibid., pp. 30, 22.

[94] For a discussion of the Reagan Doctrine, consult Larry Pratt, "The Reagan Doctrine and the Third World," Socialist Register, 1987.

Administration's) policies in Central America."[95] Even Britain's Conservative Prime Minister Margaret Thatcher has criticized the US for its mining of Nicaraguan harbours.[96] The Kissinger Commission has criticized Western Europe's lack of support for Washington on this matter by arguing that "...the Western Alliance would be adversely affected by developments in Central America that threatened the security of the Caribbean sea lanes or that required a redeployment of US forces to protect interests in this hemisphere. The European security interest in Central America is thus significant, even if it is indirect."[97]

It is presumably correct that Western Europe, Japan and the Middle East are more important strategically to the United States than is Central America, as Tucker and others suggest. Also, the measure of prudence which Tucker and Lippman have urged the US to incorporate into its foreign policy toward the Third World is valid. Nevertheless, it may be a mistake to underestimate the strategic significance to the United States of the Third World in general, and of Central America in particular.

America's hegemonic position depends, in part, on its alliances with developing states. Perhaps it may be useful here to discuss briefly the role of a hegemon in the international system, and then extrapolate this to the US relationship with Central America. Robert Keohane defines hegemony as

---

[95] Wayne Smith, "Reagan's Central America Policy: Disaster in the Making," in Donald Schulz and D. Graham, eds., Revolution and Counterrevolution in Central America and the Caribbean, op. cit., p. 479.

[96] Philip Brenner, op. cit., p. 239.

[97] The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 147.

> ...a situation in which one state is powerful enough to maintain the essential rules governing interstate relations, and is willing to do so.
>
> ...A hegemonic state must possess enough military power to be able to protect the international political economy that it dominates.[98]

This realist conception of hegemony, which is more descriptive than analytical, is compatible with the marxian framework utilized here. Keohane, for example, notes that marxists have attempted to combine "Realist conceptions of hegemony as dominance with arguments about the contradictions of capitalism."[99] Halliday, as we observed in Chapter One, has blended this conception of 'hegemony as dominance' with an analysis of the dynamic behind the Great Contest between capitalism and socialism - a contest between the hegemony of the US and the USSR. The primary interest of the United States as a hegemon is to provide order and protection to the capitalist network of states in both the first and third worlds.

---

98. Robert Keohane, After Hegemony (Princeton University Press, 1984), pp. 34-35, 39.

99. Ibid., p. 44.

In order to appreciate the strategic significance of developing countries in general to the hegemonic position of the United States, let us ponder the hypothetical consequences if Washington somehow adopted an extreme isolationist position and decided simply to retreat militarily from the Third World. Keeping in mind that this scenario is highly unlikely, it seems that such a move would create a vacuum in which the Soviets could advance their interests, and might spark the proliferation of socialist regimes among developing countries. The balance of class forces globally would shift in favour of the Soviet Union, as would the military balance of power in developing states. Thus, the hegemonic position of the Soviet Union presumably would advance considerably. Further, the perception of Washington's credibility would likely weaken in the general international arena. In many ways, then, Washington would be forfeiting its hegemonic position in developing states as well as on the global stage. It seems crucial, then, to recognize that the human and natural resources of the Third World figure importantly into the equation of US hegemony and hence the international balance of power. United States relations with Nicaragua must be examined within such a context.

Some students of international political economy who are interested in the issue of America's hegemonic position have argued that even if certain sectors of the United States' power base were to erode, this would not necessarily spell the end of American global hegemony. Bruce Russett, for example, points to the "crucial distinction between power base and power as control over outcomes."[100] From this perspective, one might argue that even if the US lost its power base in numerous regions of the Third World including Central America, the United States would still be able to perpetuate its hegemonic "power as control over outcomes" due to the international structures (or regimes) previously established by Washington.[101]

While it may be true that a hegemon may perpetuate its power for a period of time after its power base erodes, it seems reasonable to expect that challengers may attempt to usurp, perhaps successfully, the hegemon's position if it becomes clear that the hegemon lacks the wherewithal and/or resolve to establish international order and to protect its allies. Previously established regimes do not represent guarantees that a hegemon can perpetuate its power after its power base erodes. That is, it would seem that a significant erosion of an actor's power base eventually would translate into a loss of power as control over outcomes. If the US were to lose its power base in the Third World - and the loss of Nicaragua would of course represent only one small component of this - it would appear plausible that Washington's global hegmonic position, its power to control outcomes in other realms, would also diminish over time.

---

[100] Bruce Russett, "The Mysterious Case of Vanishing Hegemony," International Organization, vol. 39, #2, Spring 1985, p. 207.

[101] Ibid., pp. 207, 213-222.

The central point here, then, is that while there may be debate regarding whether or not the nomenclature of 'vital interest' is appropriate to describe US concern for Central America, it seems clear that the isthmus is significant strategically due to its role of contributing to the maintenance of America's hegemonic position. In particular, it would appear that Washington's relationship with Nicaragua is important since it may represent a precedent vis-a-vis other Third World states. If, for example, Washington permitted the socialist experiment in Nicaragua to flourish, such a course may appear attractive to neighbouring states and other developing countries - thus setting the stage for a domino effect. The proliferation of socialism in the Third World, I have argued, is inimical to American hegemonic interests which are apparent in the Great Contest. Hence, I concur with the Reagan Administration that Central America represents a salient strategic interest for the United States. The question then becomes: what policy should the US adopt to protect its interests in the Third World?

I have argued above that Washington has adopted primarily a military solution to the crisis in Central America, and in particular has employed a strategy of low intensity conflict there.[102] Such a strategy may be effective in souring the successes of the Sandinista Revolution. Nicaragua has been forced to devote over half of its national budget to defence at the expense of social welfare programmes, health and education projects in the periphery of the country are increasingly becoming targets for Contra attacks, the economy is deteriorating daily, and a more repressive political atmosphere has prevailed in the wake of a declared national emergency there. But to make life tough for Nicaraguans, or for other peoples who opt for a socialist political economy, does not arrest the growing problems in the Third World which render socialism to be an attractive option. Hence, solutions which are primarily military in nature deal only with the symptom of the problem which, in the end, may generate additional strategic crises for the US in the Third World.

The military solution employed by the Reagan Administration in Central America wields the potential to create a regional war. That is, the war emerging between the forces of the United States and Honduras, on the one hand, and Nicaragua and Cuba, on the other, may in time incorporate the civil wars raging in El Salvador and Guatemala. In a worst-case scenario, the turmoil would spread to Mexico. The predicament of a regional war on the isthmus could polarize Latin America even further, and might also unleash Latin nationalist forces against the US. Such a situation would clearly be antithetical to American strategic interests.

---

[102] For an excellent discussion of low intensity conflict, see Sara Miles, "The Real War: Low Intensity Conflict in Central America," NACLA Report on the Americas, vol. 20, #2, April/May 1986, pp. 17 - 48.

Moreover, the US-directed militarization of Central America has resulted in an unfavourable business climate there. While one may argue that Washington's policies in Central America are working in the long-term interests of US capital in the Third World, in the short term the interests of capital are hindered through political instability. The uncertain results that a regional war could precipitate (e.g., an unanticipated proliferation of socialism) may even work against the long-term interests of US capital in Latin America.

Therefore, it is not at all clear that the policies of the Reagan Administration in Central America, which are primarily military in nature, will succeed in accomplishing the US goal of ridding the hemisphere of socialism.

It would seem, then, that the Reagan Administration faces a dilemma in Central America. On the one hand, if Washington maintains its current course of militarizing the isthmus, a regional war may ensue with potentially disasterous consequences. On the other hand, Administration policy-makers seem to feel that a decision to accomodate the Sandinistas would send a message to other Latin states that socialism in the hemisphere will be tolerated - an unacceptable situation from Washington's point of view. It is possible that this dilemma may eventually spell the end of America's hegemonic position in the hemisphere.

Any hope of transcending this dilemma depends on the ability of the United States to address the chief impediment to the maintenance of American hegmony in the hemisphere. The root of the threat to US hegemony in Central America and elsewhere in the Third World is not the military prowess of the Soviet Union or Cuba. Rather, it is the web of problems surrounding underdevelopment, exploitation and a grossly inequitable distribution of income in many of Washington's client states. These problems curtail the benefits that the populations in subordinate states must enjoy if they are to remain willfully within the sphere of American hegemony. The ill-fated land reform policies in El Salvador[103] are testimony to the fact that the Reagan Administration has not been serious about creating socio-economic reforms which may retard the lure of socialism. Certainly the Caribbean Basin Initiative has been less than effective in alleviating the economic woes of Central America.[104]

From the perspective of American strategic interests, then, perhaps the US ought to consider fostering meaningful elements of reformist capitalism in its Third World client states. But a policy of reformism is not without its problems. It may be perceived by the impoverished masses of

---

[103] See Jeff McMahan, op. cit., pp. 153-154.

[104] For a discussion of the failures of the CBI, see, for example, Los Angeles Times, 15 February 1987.

Central America to be too little and too late. Besides the apparent lack of resolve on the part of Washington, a policy of serious reformism appears to be hindered by the interests of indigenous elites who dominate the political scene in developing states and who benefit greatly from the status quo. They are presumably unwilling to relinquish their privileged and powerful positions.[105] To this extent, the implementation of capitalist reformism in certain Central American states would require a revolution of sorts complete with military conflict.

In addition to economic reforms, America's hegemonic position vis-a-vis the Third World may be sustained or even reasserted only if the US is prepared to be more sensitive to other political needs of developing states. As Carlos Fuentes observes, "the United States refers to Latin America as its own backyard. But for us, Latin America is not a backyard. It is our front lawn, our porch, our living room, our home."[106] Thus, the role of nationalism in developing countries may also work against the interests of the United States, particularly since the population of the Third World appears to be becoming increasingly unhappy with its historical status of subjugation. Washington, then, must attempt to work with the forces of nationalism, and must avoid mistaking nationalism for socialism.

---

[105] Leon Trotsky provides a brilliant analysis of why `coups from the top' are unlikely to forestall revolutionary processes - an analysis which may be pertinent to the unlikelihood of success for preventing revolutionary processes through the installation of reformist capitalist regimes in Central America and other developing regions. See Leon Trotsky, The Russian Revolution (New York: Doubleday, 1959), Chapter Five.

[106] Los Angeles Times, 25 May 1986.

CONCLUSION

I have outlined the historical progression of the American quest for hegemony in the Western Hemisphere. US hegemony in the Americas may be threatened by the proliferation of socialism there. Fearing a domino effect, Washington regards Sandinista Nicaragua as a danger which must be eradicated. The United States' military solution to its perceived problem in Central America, however, is unlikely to be successful. Indeed, it may even exacerbate the situation by sparking a regional war which may polarize Latin America even further. From the Canadian perspective, Washington's unilateralist and military approach to the Central American imbroglio is unacceptable, and Ottawa increasingly has distanced itself from US policy toward the isthmus. Hemispheric stability is the first and foremost Canadian interest in this situation, and the Government has worked toward a multilateral approach to resolving the current crisis in Central America. Canadian interests in the region will be explored in depth in Chapters Four and Five.

CHAPTER THREE:

CANADA'S HISTORICAL RELATIONS WITH CENTRAL AMERICA

> "Patriotic sentiments have never in the history of the world stood long against the pocket book."[1]
>
> - William van Horne

Canada's relations with Central America, both economic and political, have not been particularly strong prior to the Trudeau Administration's re-evaluation of Canadian policy to the region in 1970. Nevertheless, when one studies the historical episodes of Canadian involvement in the isthmus some notable points emerge. While not pretending to offer a comprehensive documentation of Canada's history with the seven regional countries, this chapter will focus on Canada's sparse contacts with Central America during the period beginning near the turn of the century and ending with the period immediately prior to the Trudeau Administration's reconsideration of Canadian policy toward the isthmus in 1970.

On a general level, one can observe that Canada's economic relations with Central America historically reflect aspects of Canada's domestic political economy - one characterized by a specialization in the development of infrastructure and dominated by staple production, and which housed a potent indigenous financial bourgeoisie. We shall also see that official Canadian analyses of political turmoil in Central America historically are quite distinct from American analyses. I will begin with a survey of Canada's historical economic relations with Central America, since Canadian private interests there preceeded the Canadian Government's diplomatic relations with those countries.

---

[1] Quoted in R.T. Naylor, The History of Canadian Business, Vol II (Toronto: Lorimer, 1975), p. 25.

Canada's specialization in railway construction, especially after the completion of the Canadian Pacific Railway in 1886, also found expression in the development of infrastructure abroad. It was Sir William van Horne, of Canadian Pacific Railway, who was a leading figure in the development of key transportation facilities in Central America. Van Horne, who displayed interest in the construction of a railway in Nicaragua just before the turn of the century, put this plan into action in Guatemala beginning in 1903. There he reached an agreement with the executives of United Fruit Company and General Hubbard of the US Army to complete a railway line which was already underway. The railway, completed by Van Horne's group in 1912, connected Guatemala City with the Atlantic Coast, and hence provided the system which the United Fruit Company required to transport bananas from the hinterland to certain shipping cities in the country.[2] It has been observed that Van Horne's railway

> served to reproduce the same models of development that Van Horne's Canadian Pacific Railway helped establish in Canada, but without the concomitant metropolis-oriented industrialization which occurred in Canada.[3]

Van Horne's business in Guatemala terminated in 1912 with the completion of the railway there.

Other Canadians attempted to replicate Van Horne's success with railway construction in Central America, but were less sucessful in their endeavours. A group of Winnipeg businessmen associated with Northern Construction Company, for example, lost a bid to American interests to construct a railway in Nicaragua in 1916. The American Marines occupied Nicaragua at the time - as they did almost perpetually until the 1930s - and prohibited non-Americans to finance railways in Central America.[4] This represents one of the first episodes where Canadian business interests clashed with the political and economic interests of the United States in Central America.[5]

---

[2] See L.C. and F.W. Park, *Anatomy of Big Business* (Toronto: James Lewis and Samuel, 1973), pp. 239-240.

[3] Development Education Centre and Latin American Working Group, "Corporate Power, the Canadian State, and Imperialism," in C. Heron, ed., *Imperialism, Nationalism and Canada* (Toronto: New Hogtown Press, 1977), p. 51.

[4] J.C.M. Ogelsby, *Gringos From the Far North* (Toronto: MacMillan, 1976), p. 101.

While Canada's development of infrastructure in Central America paralleled the development of the Canadian domestic political economy, Canada's domestic preoccupation with staple production also found expression in the undertakings of Canadian entrepreneurs in the greater Caribbean area. Perhaps the most prominent example of this was the Canadian ownership of tobacco, orange and other fruit plantations in Cuba. In 1911, Canadian investors G.W. Farrell and C. M. Hart of Montreal merged with American investors for other plantations in Nicaragua - an undertaking which was apparently profitable according to the Monetary Times.[6] Similarly, the Canadian Securities and Sales Co. of Winnipeg launched "considerable advertising" to sell banana lands in Nicaragua for $20 an acre - a move which sparked ridicule from the Canadian financial community in 1912.

> It is not easy to determine what the average Canadian investor could do with, say, ten acres of banana lands for $200.
>
> He probably knows as much about banana cultivation in Central America as canal construction in Mars.[7]

---

[5] Chapter Four will address how the Reagan Administation's policies in Central America are antithetical to Canada's commercial interests.

[6] Monetary Times, 22 July 1911, p. 460.

[7] Monetary Times, 10 February 1912, p. 610.

Staple production and infrastructure development were not the only areas where Canadians focused their attention in Central America. Another characteristic of the Canadian domestic political economy in an historical sense has been the existence of a strong financial bourgeoisie.[8] Canada's financial bourgeoisie became involved in Central America near the turn of the century by financing the development of infrastructure there. An additional facet of their involvement in Central America concerns the presence of Canadian banks in the region. The Royal Bank opened branches in Costa Rica in 1915, in Belize in 1912, and in Panama in 1929. The Bank of London and Montreal, of which one-third was owned by the Bank of Montreal, had branches in Costa Rica, Guatemala and Honduras between 1950 and 1970. The Bank of Nova Scotia also has a branch in Panama.[9]

The presence of Canadian banks in Central America has never been strong, though the presence of Canadian banks in the greater Caribbean region is considerable, partly due to Canada's ties with Commonwealth nations there (330 banks in 1983).[10] The Royal Bank's adventures in Costa Rica are of particular interest. The Royal Bank, whih had operated in the country beginning in 1915, had acquired in 1925 the Bank of Central and South America in Costa Rica. But the branch-network of Royal Bank there was terminated in 1937 after a dispute between the Bank and the Costa Rican Government. In that year, the Costa Rican Administration insisted that the Royal would have to increase its local capital investment by retaining at least $160,000 in the country. The Bank refused, and the Canadian Government would not act on behalf of the Royal to reach some compromise with Costa Rican officials. The Canadian Deputy Minister at the time declared that

---

[8] See, for example, Jorge Niosi, Canadian Capitalism (Toronto: Lorimer, 1981), chapter two.

[9] M. Kaufman, "The Internationalization of Canadian Bank Capital," Journal of Canadian Studies, vol. 19, #4, 1984-1985, Winter, pp. 61-80, p. 72.

[10] Ibid., p. 72.

> I may say that we are not overly enthusiastic about urging the development of the foreign business of our Canadian banks because of the special risks involved in the business.[11]

One of these special risks was exemplified years earlier in Costa Rica in 1917 when then-president Federico Tinoco embezzled $200,000 colones from the Royal Bank, a sum which was never reimbursed.[12]

Also near the turn of the century, a number of Canadian insurance companies became active in Central America. These included Sun Life, Confederation Life, Imperial Life Assurance Company and Western Life Assurance Company of Canada. Critics of the involvement of Canadian banks and insurance companies in Central America and elsewhere

---

11. J.C.M. Ogelsby, op. cit, p. 102.

12. Ibid., p. 102.

chastized them for sending their surplus capital to New York rather than to Canada, since the interest rates in New York were nearly 300% higher.[13] It appears that Canadian banking interests had chosen the path of an international strategy through transnational involvements in lieu of incurring risks associated wtih the boom and bust cycles inherent in Canada's domestic staple economy. Thus, critics charged that the banks reinforced Canada's dependent, staple-oriented economy by embarking on international adventures rather than promoting domestic industrialization.[14]

Another facet of the relationship between Canada's domestic development and its international economic undertakings concerns the role of Canadian utility companies in Latin America. Canadian investors owned utility services in Mexico, Venezuela, Bolivia, British Guiana, and especially interesting for our purposes, in El Salvador. Beginning in 1926 a Canadian-owned utility company, which was a subsidiary International Power, provided San Salvador and 32 municipalities with electricity in Central America's smallest country. As Canadian economic historian Tom Naylor has observed, Canadian utility companies in El Salvador and elsewhere in Latin America "...paralleled those in Canada and were undertaken by the same groups of Montreal and Toronto financiers in the same alliances."[15] Canadian utility interests in El Salvador resembled aspects of Canada's domestic political economy in yet another way, in the sense that International Power Company depended heavily upon American technology for its operations.[16]

---

[13] Development Education Centre, op. cit., p. 50.

[14] Ibid, pp. 50-51.

[15] Tom Naylor, op. cit., p. 258.

International Power's $4 million investment in El Salvador may have been a contributing factor, though certainly not the overriding one, for the involvement of two Canadian war vessels - half of the Canadian fleet at the time - in the Farabundo Marti uprising in El Salvador in 1932.

CANADA'S NAVAL ADVENTURE IN EL SALVADOR

The Great Depression of the 1920s had a severe impact upon the overwhelming majority of Salvadoreans. Dependent almost exclusively upon coffee exports, the price of which had plummeted in 1929, El Salvador's economy was in a quite a predicament. El Salvador's dependence upon a single staple product for its economic survival during a major crisis of the global capitalist economy, in tandem with a wildly inequitable distribution of wealth and land in the country, precipitated widespread discontent among the masses. It was at this time that the socialist Farabundo Marti enjoyed considerable success in organizing agricultural workers against the inequities of the political economy and the brutality of the authoritarian military dictatorship which had recently taken power through a coup. While the Farabundo Marti uprising of 1932 - 'La Matanza' - has been analyzed at length elsewhere,[17] suffice it to say here that tens of thousands of Salvadoreans died in a clash with military forces - the legacy of which is evident today in that country's raging civil war.

---

[16] Jorge Niosi, Canadian Multinationals (Toronto: Garamund, 1985), p. 61.

Britain, with economic interests in El Salvador as well as elsewhere in the Caribbean, predicted trouble in the country. The British charge de affairs, D.J. Rodgers, cabled London that a "communistic uprising" was imminent, and that British military involvement was necessary to quell the Soviet-directed forces of communistic Bolshevism in the tiny isthmus country.[18]

When the uprising began to reach full-tilt in January, 1932, British officials were disturbed that their naval forces would not be able to reach El Salvador in time to protect their interests there. American naval forces also were too far away from El Salvador to intervene at the beginning of the confrontation between the Farbundo Marti and Salvadorean military forces. Two Canadian war vessels, the Skeena and the Vancouver, happened to be near El Salvador at the time. British officials requested that the

---

[17] See, for example, Walter Lafeber, Inevitable Revolutions (New York: Norton, 1983), pp. 73-74.

[18] Harvey Levenstein, "Canada and the Suppression of the Salvadorean Revolution of 1932," Canadian Historical Review, vol. 62, #4, 1981, pp. 454-455.

Canadian destroyers proceed full-steam-ahead to the Salvadorean port of Acajutla to preempt the establishment of a "Soviet Republic" in Central America.[19] Upon arrival, Canadian Commander Brodeur radioed reports to Canada regarding the situation in El Salvador. Among his first messages was a report that a town near Acajutla was attacked by "about 500 Communist rebels, mostly low-type Indians."[20]

Anchored off the coast of El Salvador during one of the largest political uprisings in the turbulent history of Central America, the Canadians soon found themselves mired in a dispute between British officials and Salvadorean Government leaders over whether or not Canadian forces should disembark from the ships and engage in fighting. Canadian Commander Brodeur did not comply initially with the British request that Canadians disembark and prepare for combat, since he claimed that he first required orders from his superiors in Ottawa. The dispute between Brodeur and British officials in El Salvador became meaningless once it was clear that the Salvadorean Government was not prepared to permit Canadian or other foreign military forces to engage in combat since this would signal that the formidable Salvadorean military forces required direct foreign assistance to maintain its dictatorial rule.[21] Slaughtering up to 30,000 of its countrymen,[22] the Salvadorean military was indeed able to contain the rebellion. Nevertheless, the Canadian destroyers visibly off the coast served as a show of force which Salvadorean General Martinez could have utilized in the event that his own forces could not do the job.

---

[19] Ibid., p. 455.

[20] Ibid., p. 458.

[21] Ibid., p. 460.

Canadian Commander Brodeur later sent what was then a secret report to Ottawa concerning the incident. The following passages from that report are germane.

> The arrival of (Canadian) ships created a very strong moral support to all concerned.
>
> The American authorities were more than surprised and a little disappointed to see a British flag first.[23]

That passage is significant in that it indicates that the Canadian war vessels played an important if not direct combat role in assisting the Salvadorean Government forces in their attempt to quell the popular uprising. It also indicates the disappointment by Americans that their forces could not arrive in time to what has been deemed their own 'backyard'. The New York Times, in its report of the incident, downplayed the role of the Canadians.[24] Parenthetically, the US State Department, in its offical messages, hid from the public the extent of revolutionary sentiment in El Salvador at the time.

---

[22] Walter LaFeber, op. cit., p. 73.

[23] Commander Brodeur, "Secret Report of the Situation as It Developed in Acajulta," 7 April 1932, Ottawa, p. 1, reprinted in Leon Zamosc, "El Desembarco de Tropas Canadienses en El Salvador," from Desarrollo Indoamericano, Ano XIV, Colombia, October, 1979, #52, p. 48.

> There are no revolutionary movements in El Salvador.
>
> What happened was that Communistic groups in certain towns of the Republic promoted disturbances which the government had energetically repressed.
>
> The Government is supported by all Salvadoreans.[25]

The Canadian press painted a different portrait of the episode, one that reflected some degree of pride in Canada's newfound military prowess. In a spirited editorial, the Globe and Mail stated that

> At last from the mists of the sea, Canada emerges as a naval power.
>
> The Dominion's fleet is roaming the ocean in search of adventure, and finding it. Take, as an instance, the affair at Salvador.
>
> Reds making trouble. Foreign population in peril. No protection.[26]

The Vancouver Sun observed that

---

[24] New York Times, 24 January 1932.

[25] Quoted in Globe and Mail, 26 January 1932.

[26] Globe and Mail, 26 January 1932.

> This is the first time that Canadian war vessels have taken part in the protection of foreign residents in Central or South American uprisings.[27]

So while the United States seemed to trivialize the Canadian role, Canadian media devoted more attention to the episode.

This incident is interesting for our purposes for two reasons. First, it may represent a precedent of sorts for Canada's historical preference for capitalist regimes in Latin America. Secondly, Canada's involvement in La Matanza is significant in the sense that Latin scholars who have researched the incident cite it as an imperialist activity on the part of Canada[28] - a blemish on Canada's otherwise benign relationship with the Third World.

THE PANAMA CANAL

The St. Lawrence Seaway declined in influence beginning in the Post-World War I period, partially as a result of the opening of the Panama Canal in 1917. As Harold Innis observed, the Canal had some positive effects for the Canadian political economy.

> Completion of the Panama Canal immediately after the war opened the industrial regions of the Atlantic to the lumber producers of the Pacific.

---

[27] Vancouver Sun, 25 January 1932.

[28] Leon Zamosc, op. cit., p. 42.

> Lumber pushed its way into the markets of eastern Canada and responded to the housing boom in England.[29]

Further, the relatively lower transportation costs for transcanal travel contributed to the development of staple industries in Western Canada, most notably concerning oil and coal in southern Alberta.[30] Innis, observed, however, that

> Through the Panama Canal came butter from New Zealand to harass the Canadian dairy industry and to lead to the demand for, and the introduction of, protective tariffs.
>
> Lumber from the Pacific coast was sold in the markets of eastern Canada in competition with the local product. Fruit from British Columbia came into competition with fruit from eastern Canada.[31]

Hence, the Canal opened the door to increased competition for the Canadian economy, competition stemming from both domestic and international sources.

---

29. Harold Innis, "Recent Developments in the Canadian Economy," in M.Q. Innis, ed., Essays in Canadian Economic History (Toronto: University of Toronto Press, 1956), p. 294.

30. Ibid., p. 296.

31. Ibid., p. 297.

CANADIAN TRADE WITH CENTRAL AMERICA

Even before Canada's inception as a nation, Government officials, businessmen and assorted interest groups have urged that Canada expand its trading ties with Latin America. In 1865, for example, the Confederate Council for Trade suggest that

> it would be highly desirable that application be made to Her Majesty's Imperial Government requesting that steps be taken to enable the British North American provinces to open communications with the West India islands, with Spain and her colonies, and with Brazil and Mexico, for the purpose of ascertaining in what manner the traffic of the provinces with those countries could be extended and placed on a more advantageous footing.[32]

But Canada's trading ties with Latin America, and Central America especially, were sparse and sporadic until the 1970s. One of the reasons why Canadian trade with Latin America did not expand significantly was that Canadian businesses seemed preoccupied with their domestic market. Indeed, there seemed to be some resentment by Latins toward the somewhat self-sufficient attitude of Canadian businesses. When a Canadian trade delegation arrived in Central America in 1946 they discovered that Canadians

---

[32] Quoted in J.C.M. Ogelsby, op. cit., p. 11.

> were not held in high esteem for their business techniques. The Central Americans criticized the apathy of Canadian exporters.
>
> As one of the members of the mission explained it, one of 'the most frequent complaints we received was that many Canadian manufacturers, if they answered inquiries at all, stated that their domestic market was so good that they were not interested in exporting at present.[33]

Another reason why Canadian - Latin trade did not increase significantly in the aftermath of World War Two was that Canada concentrated its export market toward the United States.

Canada's current trading relationship with Central America is rooted in economic arrangements established in the period between 1936 and 1956. Canada engaged in reciprocal most favoured nation relationships with Panama in 1935, Guatemala and El Salvador in 1937, Nicaragua in 1946, Costa Rica in 1950 and Honduras in 1956.

CANADIAN DIPLOMATIC RELATIONS WITH CENTRAL AMERICA

Until 1962, Canada had no diplomatic representation in Central America and relied solely upon the British Foreign Office for any information which it required. The proposal for a Canadian embassy in the isthmus had been approved by Cabinet in 1960, and some interesting analyses regarding the political situation in Central America were conducted by the Canadian Department of External Affairs during this period.

---

[33] Ibid., pp. 24-25.

The Canadian Government decided to situate the embassy in San Jose, Costa Rica, since it was the first of the Central American republics to establish an embassy in Ottawa in 1956. Another reason behind the selection of Costa Rica as the locale for the embassy was the high potential the Canadian Government saw in that country for increased commercial opportunities. The embassy was designed to serve Costa Rica, Panama, Nicaragua and Honduras. Guatemala was managed by the Canadian embassy in Mexico City, Belize was handled by the Canadian embassy in Jamaica, and El Salvador was initially excluded from official Canadian recognition. According to a Department of External Affairs (DEA) memorandum,

> The Salvadorean acceptance was impeded by political instability resulting from two successive coups, October 26, 1960 and January 25, 1961, as well as by strained relations with Costa Rica.[34]

Although the Canadians finally decided to extend diplomatic recognition to El Salvador by November, 1961, an additional reason why Canada initially withheld recognition to El Salvador was because the surrounding countries of Panama,

---

[34] Canada, Department of External Affairs, from Y. Beauline of Latin American Division to the Undersecretary of State for External Affairs, "Establishment of Diplomatic Relations with El Salvador," 14 November 1961, Archives File #2898-A-40.

Honduras and Costa Rica refused to recognize the legitimacy of the Salvadorean regime. It seems salient to note that Canada did not follow the British and American lead in recognizing the regime, and instead chose to respect the political consensus of the other Central American states.

A primary motivation behind the opening of the Canadian embassy was the promise the isthmus countries exhibited for increased opportunities for Canadian business, particularly in light of the potential affforded by the Canadians to the Kennedy Administration's Alliance for Progress. J.L. Delisle, the first Canadian ambassador to Central America, seemed to think that Canada was obliged to jump on the bandwagon of economic opportunity in the region.

> Judging by the activity of the Germans, the Japanese, the Italians, the French, the Belgians, not to mention the Americans, are displaying in trade promotion in this area, the potentialities must be worth increased effort on our part.
>
> As the implementation of the Allliance for Progress is getting under way we whould stand ready to reap some of the benefits at least which increased economic activity, industrialization and the likely rise in the standard of living will bring about in the years to come.[35]

In 1960 Canadian trade with the region was rather small. In that year there were $10 million in imports from Central

---

[35] Canada, Department of External Affairs, J.L. Delisle, "Request for Trade Officer," 13 November 1961, Archives File #6660-AB-4C.

America to Canada, and $14.5 million in Canadian exports to the isthmus.[36] It was not until the 1970s that trade between Canada and Central America increased significantly.[37]

In a recently declassified External Affairs Secret Report which served as a 'Letter of Instructions' to the new Canadian ambassador in Central America, five objectives were outlined for the new embassy staff. The first of these was "to strengthen friendly relations between these republics of Central America and Canada."[38] Part of this objective included Canadian efforts to counter Leftist propaganda and influence in Central America.

> Good information work can help to counter in some measure Communist propaganda, by showing how a society, based on the rule of law, can achieve at the same time political stability and material well-being.[39]

For that purpose, Canadian National Film Board documentaries illustrating the benefits of Canadian liberal democracy were shown to the Central Americans by embassy staff.

---

[36] Canada, Department of External Affairs, Secret Report to J.L. Delisle, by Secretary of State for External Affairs Howard Green, 27 June 1961, PARC 2898-A-40, p. 8.

[37] See Chapter Four for an in-depth analysis of Canadian economic relations with Central America.

[38] Ibid., p. 5.

[39] Ibid., p. 5.

The second stated objective of the new embassy was "to exchange information and views with Central American Governments on problems of international relations of common concern."[40] Particularly significant under this category were the intelligence-gathering duties expected of embassy staff, especially with respect to the voting prospects of Central American states at the United Nations.

> It will be useful for you to have exchanges of views from time to time on various questions coming before the United Nations.
>
> It would be particularly useful for the Department to know your impression of members of the Central American delegations to the General Assembly, their degree of initiative in New York and the firmness of their government's positions on various issues.[41]

A third and related objective was for the embassy staff to provide intelligence reports regarding the 'domestic situation' in Central America, particularly with respect to the roots of political discontent there. Such information would help Ottawa formulate aid policies aimed at generating Canadian 'prestige and goodwill' with the Central American Republics, and presumably would also serve as a backbone from which to design policies aimed at diminishing the preceived communist threat in the region - a point to which we will return shortly.

---

[40] Ibid., p. 5.

[41] Ibid., p. 5.

A fourth objective of the embassy was to promote the interests of Canadian citizens in Central America. This would be accomplished by handling visas for Canadian tourists in the area, assisting Canadian businesses in the region, and by monitoring the work performed by Catholic Canadian missionaries who had operated in Central America since the turn of the century.[42] Importantly, the instructional document highlighted the fact that there was scant direct Canadian economic interests in Central America at the time.[43] While the document recognized the limited immediate possibilities of expanding commercial relations between Canada and Central America, it also insisted that the embassy staff make sure the countries of the region extended most favoured nation treatment to Canada regarding economic interests that did exist.[44]

Importantly, the document challenges the notion of a military solution to the Central American political strife - an option which has been embraced both by Washington and certain Central American regimes.

> The reaction in (Central American) Government circles to these challenges tends to be unrealistic. They often fail to understand the causes of popular discontent.

---

[42] Interview, Arthur Blanchette, Director, Historical Division, Canadian Department of External Affairs, 31 May 1985, Ottawa.

[43] Canada, Department of External Affairs, Secret Report from SSEA Howard Green, op. cit., p. 8.

[44] Ibid., p. 9.

> In a recent conversation with his Canadian colleague, the Nicaraguan ambassador in Washington outlined the challenges faced by his Government and concluded that 'the only solution consisted in the strengthening of military forces in order to provide a deeper sense of discipline for the unruly elements.'
>
> Such a policy however could lead to recurrent disorders of greater magnitude as time passes.[45]

That analysis could not have been more insightful or correct, since 'disorder' rose to revolutionary levels in Nicaragua some twenty years after the report was written.

The Letter of Instructions points to indigenous factors in the Central American political economy as being at the root of the political turmoil there, in conjunction with Central America's history of subjugation first by the Spanish and later by the Americans.[46] The analysis also points a rather critical finger at the wealthy and powerful landlords who remain unwilling in many cases to relinguish some of their land for redistribution - a factor resulting in widespread poverty and discontent among the large peasant class. It also underscores the point that Canada historically has viewed the turmoil in Central America from a North-South perspective, rather than the East-West prism employed by Washington and its Central American client states.[47] Hence, while the Canadian analysis at the time appreciated the factors which brewed trouble in Central America, their only mistake was to think that the Kennedy Administration's Alliance for Progress would produce economic and political development in Central America. In fact, the programme was a dismal failure.[48]

---

[45] Ibid., p. 2.

[46] Ibid., p. 1.

Another interesting aspect of the Canadian analysis of the Central American situation was the pernicious influence it attributed to Castro's Cuba.

> The Cuban Revolution has raised the hopes of large sectors of the Central American population who regard it as a means of rapid agrarian and economic reform.
>
> The danger of castroism can be exagerated, as in the case of the alleged participation of Cuban agents in recent abortive revolutions in Guatemala and Nicaragua.
>
> Its influence is nevertheless strong among peasants and students and has certainly helped to increase tension in the area.[49]

That passage is significant for our purposes for two reasons. First, the Canadians were quite obviously opposed to Cuba as a model of development for other Third World countries at the time, as they probably are now, and appreciated the 'danger' of Cuba's appeal to the have-not republics of Central America. In this sense, then, the Canadians situated themselves solidly within the pro-capitalist American camp with respect to Latin American affairs, and further seemed to view the situation within the context of the Great Contest between the United States and the Soviet Union vis-a-vis developing countries. On the other hand, the Canadian analysis differed from many of those originating in Washington and Central American capitals which appeared to attribute the roots of the turmoil in the region to subversive Soviet proxies such as Cuba. While Canada seemed to believe that Cuba could exploit Central America's problems, Ottawa maintained that any revolutionary potential in these countries was rooted in the inequities inherent in the political economies of the isthmus nations.

---

[47] This point is discussed more fully in Chapter Five.

[48] Walter LaFeber, op. cit., pp. 145-156.

[49] Canada, Secret Report from SSEA Howard Green to J.L. Delisle, op. cit., p. 2.

CONCLUSION

The purpose here has been to present an overview of some prominent episodes concerning Canada's historical relations with Central America. While this discourse has not pretended to offer a comprehensive view of that history, some notable points regarding Canada's relations with Central America have emerged. First, Canada's economic involvement in Central America paralleled the developments of its own political economy - one which specialized in staple production, the development of infrastructure, and which contained a strong and active financial bourgeoisie. We have observed that Canadian trade and investment with the

Central American states during the period examined here have been sparse and sporadic, though numerous suggestions have been voiced to bolster the extent of those relations. Finally, we touched upon some interesting political analysis conducted by the Canadians prior to the opening of their embassy in the early 1960s. That analysis was prophetic and insightful. While the Canadian analysis differed from American views regarding the roots of turmoil in the region, it nevertheless underscored Canada's general commitment to pro-capitalist regimes in Latin America.

CHAPTER FOUR:

CANADIAN ECONOMIC INTERESTS IN CENTRAL AMERICA

Cranford Pratt's dominant class theory is particularly useful for an analysis of the domestic determinants of Canada's economic relations with Central America. It also appears that American strategic interests represent an important international determinant of Canadian aid to the region. The three sections of this chapter address Canadian trade with and investment in Central America, as well as Ottawa's developmental assistance package to the isthmus nations.

PART ONE:

CANADIAN TRADE WITH CENTRAL AMERICA

As we observed in Chapter Three, Canadian trade with Central America was virtually nil prior to the Trudeau Administration. Prime Minister Trudeau asserted in 1968:

> We have to take greater account of the ties which bind us to other nations in the hemisphere- in the Caribbean, Latin America, and of their economic needs.
>
> We have to explore new avenues of increasing our political and economic relations with Latin America where there will be more than four hundred million people by the turn of the century and where we have substanstial interests.1

The idea that Canada should expand its commercial relations with Latin America in general was developed once again in Foreign Policy for Canadians - a review of Canadian foreign policy conducted by the Truduea Government. The pamphlet,

---

1. Quoted in Peter Dobell, Canada's Search for New Roles. (Toronto: Oxford University Press, 1972), p. 115.

released in 1970, suggested that Canada and Latin America possess a compatible interest in economic growth, and therefore that trade between Canada and its hemispheric neighbours ought to increase.[2]

At a time when Canadian scholars such as Kari Levitt attempted to extrapolate dependency theory from its usual Latin American venue to the Canadian case[3] - an analytical position that has since been the target of heavy criticism[4] - the Trudeau Administration drew a parallel between Canada's political economy and that of many Latin states. Foreign Policy for Canadians, for instance, stated that

> Since Canadian producers export to the US market and US investment in Canada is substantial, there is a certain correspondence between the Canadian and Latin situations vis-a-vis the United States, and the Latin American countries tend to look to Canada for understanding of their attitude toward the United States on economic questions.[5]

Hence, the implication arose that Canada and Latin American countries might escape their respective dependence upon the US by fortifying commercial relations with each other. To this end, the pamphlet urged increased direct contact between Canadian and Latin businesses, as well as between Canadian and Latin regional and international economic organizations. It identified one such organization as the Central American Common Market.[6]

---

[2] Canada, Latin America: Foreign Policy for Canadians (Ottawa: Queen's Printer, 1970), p. 6.

[3] Kari Levitt, Silent Surrender (Toronto: Macmillan, 1970).

[4] See, for example, R. J. Brym, "The Canadian Capitalist Class," in R. Brym, ed., The Structure of the Canadian Capitalist Class (Toronto: Garamond, 1985), pp. 1 - 20.

[5] Canada, op. cit., p. 6.

The review also stressed that a stringent Canadian political alignment with the United States would place a damper upon any opportunity for increased economic ties between Canada and Latin American nations. This rationale was provided as a basis in part for Canada's refusal to join the US-dominated Organization of American States (OAS). "If Canada had been a member of the OAS in 1964, it would have been called upon to sever diplomatic, commercial and transportation links with Cuba."[7] Cuba has since emerged as Canada's fourth largest Latin trading partner.

The Trudeau Administration identified a chief impediment to increased Canadian commerce with Latin American countries to lie within the realm of transportation.

> Among the general problems affecting trade between Canada and Latin America is that of encouraging a more direct flow of trade in both directions.
>
> In the case of both Canadian exports to Latin America and Latin American exports to Canada, a high proportion is transhipped through the United States.

---

[6] Ibid., p. 16.

[7] Ibid., p. 23.

> There would appear to be good grounds for examining the possibility of more direct air and sea transportation, particularly with regard to air shipments of seasonable perishables, in view of the seasonal complementarity that exists betweeen this country and much of Latin America.[8]

Nearly 15 years after the writing of that review, the Canadian Government is now considering the establishment of direct air flight to Central America.[9]

While Canadian economic delegations to Latin America have existed since Confederation, the Trudeau Administration launched a greater frequency of such missions than anytime prior.

> The most immediate effect of the arrival of a giant aircraft carrying some of Canada's most important political leaders and civil servants on smaller countries such as Costa Rica and Guatemala was certainly considerable.
>
> ...The 1968 mission...was merely preliminary to the serious study of Canada's overall relations with Latin America.[10]

This trend toward frequent trade missions between Canada and Central America in particular continued through the 1970s and 1980s.

---

[8] Ibid., p. 36.

[9] A discussion of this point occurs later in the text, in the section regarding Canada's trade with Costa Rica.

[10] J.C.M. Ogelsby, Gringos from the Far North (Toronto: Macmillan, 1976), p. 34.

****

Central America as a region has never been particularly significant to Canada as a commercial partner, although representatives from both Canada and Central American states have attempted to increase the level of trade, especially since the early 1970s. The Canadian embassy in Costa Rica - which also serves El Salvador, Nicaragua and Panama - was fortified with a trade officer in 1972. During the late 1970s and early 1980s, some analysts seemed to believe that the level of Canadian-Central American trade was on a notable upswing.

> Between 1970 and 1980, Canadian trade with the seven isthmus nations grew by over 470% reaching $350 million annually.
>
> The Central American region represents Canada's fifth most important trading partner in the hemisphere.[11]

Viewed in another context, however, Canadian trade with Central America appears to be considerably less significant.

The level of Central American imports to Canada represented .5% of the total level of imports entering Canada in 1965, and has since hovered around .2% to .3% in the 1970s and 1980s (see Chart IX). Thus, the level of imports from Central America is almost insignificant from

---

[11] Tim Draimin, "Canadian Foreign Policy and El Salvador," in Liisa North, ed., Bitter Grounds (Toronto: Between the Lines, 1981), pp. 99-100.

CHART IX

Canadian Trade with Central America

(in thousands $Cdn.)

Country	1965	1970	1971	1972	1973
Costa Rica					
Import	6715	12105	8744	10267	12779
Export	5396	6024	5602	7005	6842
Balance	-	-	-	-	-
El Salvador					
Import	2696	4043	3562	3820	4931
Export	4051	3408	4925	3934	5459
Balance	+	-	+	+	+
Guatemala					
Import	2879	5964	4648	6835	6908
Export	4001	3567	3718	4692	6871
Balance	+	-	-	-	-
Honduras					
Import	10192	13126	17631	19417	16520
Export	1004	2836	2358	2959	4655
Balance	-	-	-	-	-
Nicaragua					
Import	246	1138	1974	2569	3413
Export	2805	2162	2229	2095	3908
Balance	+	+	+	-	+
Panama					
Import	19413	7657	5545	3742	4243
Export	4621	7730	562	18	12310
Balance	-	+	-	-	+
Total C.A.					
Imports	43375	47064	45582	49508	53009
As a % of all countries	.5%	.3%	.3%	.3%	.2%
Exports	22942	27427	20951	22326	41584
As a % of all countries	.3%	.2%	.4%	.4%	.2%
Trade Balance	-20453	-19637	-24631	-27182	-11425

CHART IX (cont.)
Canadian Trade with Central America
(in thousands $Cdn)

Country	1974	1975	1976	1977	1978
Costa Rica					
Import	9663	18537	24167	25906	29332
Export	14513	11444	16950	13808	20557
Balance	+	-	-	-	-
El Salvador					
Import	7242	8045	9746	14802	12519
Export	8385	8059	9315	13503	17280
Balance	+	+	-	-	+
Guatemala					
Import	10286	19475	17056	23296	24116
Export	9223	10955	21654	16004	22312
Balance	-	-	+	-	-
Honduras					
Import	15328	11755	17405	18679	31892
Export	8558	7960	13166	8886	14514
Balance	-	-	-	-	-
Nicaragua					
Import	6612	6061	13753	14187	13012
Export	5430	3805	4683	9364	9251
Balance	-	-	-	-	-
Panama					
Import	3492	5880	5411	12928	18896
Export	17662	16943	18057	18707	20681
Balance	+	+	+	+	-
Total C.A.					
Imports	54423	71192	89452	110435	130283
As a % of all countries	.2%	.2%	.2%	.3%	.3%
Exports	65865	61507	85676	81907	108071
As a % of all countries	.2%	.2%	.2%	.2%	.2%
Trade Balance	+11442	-9665	-3776	-28528	-22212

CHART IX(cont.)

Canadian Trade with Central America

(in thousands $Cdn.)

Country	1979	1980	1981	1982
Costa Rica				
Import	34801	35238	38993	32200
Export	35590	30193	21966	15867
Balance	+	-	-	-
El Salvador				
Import	27287	26911	25135	20873
Export	15603	15331	19451	14186
Balance	-	-	-	-
Guatemala				
Import	16617	25078	35985	23088
Export	21294	21701	17977	34021
Balance	+	-	-	+
Honduras				
Import	30013	39615	35464	28462
Export	15822	9994	21061	15315
Balance	-	-	-	-
Nicaragua				
Import	8695	31463	52090	25648
Export	2824	14708	16413	15561
Balance	-	-	-	-
Panama				
Import	22950	45663	25226	18262
Export	22767	36037	38438	36375
Balance	-	-	+	+
Total C.A.				
Imports	141474	205720	216132	155440
As a % of all countries	.2%	.3%	.3%	.2%
Exports	119288	131792	138779	133432
As a % of all countries	.2%	.2%	.2%	.2%
Trade Balance	-22186	-73928	-77353	-22208

Chart IX(cont.)

Canadian Trade with Central America

(in thousands $Cdn.)

Country	1983	1984	1985
Costa Rica			
Import	62345	38601	43311
Export	21867	21286	21040
Balance	-	-	-
El Salvador			
Import	35101	24989	35580
Export	18574	15787	15142
Balance	-	-	-
Guatemala			
Import	20806	36313	26061
Export	15266	21523	16830
Balance	-	-	-
Honduras			
Import	35843	30536	20892
Export	11332	31501	14127
Balance	-	+	-
Nicaragua			
Import	32264	45334	25621
Export	15930	22452	18426
Balance	-	-	-
Panama			
Import	46530	39544	23404
Export	29577	36594	52470
Balance	-	-	+
Total C.A.			
Imports	241577	218443	179827
As a % of all countries	.3%	.2%	.2%
Exports	114504	152350	142394
As a % of all countries	.1%	.1%	.1%
Trade Balance	-127073	-66093	-37433

Note: Import column designates imports from Central America to Canada.

(+) indicates trade surplus, (-) indicates trade deficit

Source: Statistics Canada, Summary of Canadian Exports/Imports, catalogue 65-001, various years. 1985 figures represent estimates.

the Canadian perspective during the last couple of decades. The same is true regarding the level of Canadian exports to the region. The level of exports to Central America reached a high of .4% ot total Canadian exports abroad in the early 1970s, largely due to the bolstered purchasing power afforded by Central America's swelling levels of hard currency during its short-lived economic boom.

The push for increased levels of trade between Canada and Central America reached a peak in the late 1970s and in 1980. A Canadian trade official in Guatemala suggested in 1976 that Guatemala represented a target for Canada's Third Option - a policy developed by the Trudeau Administration to increase Canada's economic relations beyond the bounds of the US.[12] "Canada is evidencing a sincere desire to diversify the relationship with nations of the Western hemisphere:..We're exercizing a Third Option and opening up relations with new countries."[13] In 1979, an article in Canadian Commerce noted that through the

> Programme for Export Market Development (which is now the Export Development Corporation) Canadian firms are also being encouraged to explore the Central American market and to participate in development projects.
>
> ...With a combined population of almost 20 million and foreign

---

[12] See Canada, Foreign Policy for Canadians, op. cit.

[13] Quote by Bruce Wilson, Canadian second secretary and vice-consul, Canadian Embassy, Guatemala,in Guatemala News, 26 November 1976.

> exchange reserves at a high level due to the high price in recent years of their major export commodities, the Central American countries offer excellent market opportunities.[14]

A Canadian trade mission to the region in 1979 attempted to bolster Canadian trade with Central America in such areas as telecommunications, railways (Canadian Pacific built a $34 million railway in Costa Rica duirng this time), fisheries, forestry and hydoelectic engineering.[15]

Canadian Ambassador to Central America, Douglas Sirrs, told a Costa Rican newspaper in 1980 that "...Canada has been taking a stronger interest...in recognition of the importance of this area (Central America) in economic terms essentially and the degree of the development that has been taking place and the degree in which it may affect Canada in the future."[16] But that assessment was made before Sirrs realized that the Central American political economy was about to turn sour.

As the boom turned to bust - an all too familiar phenomenon for staple-based economies - the Central American countries generally had less currency available to purchase Canadian and other First World exports. Consequently, the level of Canadian exports to the region fell to .2% of total

---

14. S.F. Pattee, "Mission to Central America and Panama Explores Development Programs," Canadian Commerce, June/July, 1979, p. 1.

15. This Week, 12 February 1979.

16. San Jose News, 23 May 1980.

Canadian exports abroad in the mid- and late- 1970s (from .4% in the early 1970s). The level of Canadian exports to the region dropped even futher to .1% of total Canadian exports abroad during the period 1983-1985 due to the widespread economic crisis in Central America borne of its soaring national debt, plummeting world prices for the region's staple products, and an estimated capital flight of $3 billion in 1983-1985 stemming from heightened political turmoil.[17] The House of Commons standing committee report on Canada's relations with Central America observed in 1982 that "Canadian trade with the Caribbean and Central America is of limited and declining significance."[18] This decline presumably will continue into the forseeable future, since the factors behind it are unlikely to be erased anytime soon.

In sum, Canadian trade with Central America is quite minimal and is in decline.

Now let us shift to an examination of trading trends between Canada and specific Central American countries. Costa Rica consistently has been Canada's most important trading partner among Central American countries during the last 20 years or so. During the early 1970s, the Costa Rican economy flourished, largely due to favourable global markets for its traditional staple exports. But Costa

---

[17] Latin American Working Group, 1986, op. cit, p.l.

[18] Canada, Canada's Relations with the Caribbean and Central America (Ottawa/Hull: Canadian Government Publishing Centre, 1982), p. 19.

Rica's economic fortune dissipated in the late 1970s, as the country faced near bankruptcy and became the recipient of massive levels of American foreign aid. Imports from Costa Rica to Canada increased rather steadily until 1980, but have fallen since then.[19] The same has been true regarding Canadian exports to the country.[20]

Mario Pacheco, Costa Rica's Ambassador to Canada, suggested that Canadian trade with his country and with other Central American states would improve if direct airflight shipments of goods between Canada and Central America were implemented.[21] This proposal, initiated by Pacheco, is currently being handled by an Alberta-based airline which - at the time of this writing - is considering "several options."[22] Direct airfreight between Canada and Central America would reduce costs of perishable Central American goods destined to Canada by as much as 50%, since goods now must come to Canada by way of the United States where hefty 'middle-man' charges are exacted.[23] As noted above, the same general proposal was suggested over 15 years earlier by the Trudeau Administration's inquiry into Canadian-Latin relations.

---

[19] F.R. Harris, "Canadian-Costa Rican Trade," Department of External Affairs Bulletin, 1 March 1985.

[20] These exports principally include newsprint paper, fertilizer, iron and steel alloys, paper products, medical equipment and asbestos. Imports from Costa Rica consist chiefly of sugar, bananas, coffee, shrimp and gold. Ibid.

[21] Interview, M. Pacheco, Costa Rican Ambassador to Canada, Ottawa, 31 May 1985.

[22] Mario Nunez-Suarez, Special Assistant, Department of Regional Industrial Expansion, Letter to author, 24 June 1986.

[23] Interview, Ambassador Pacheco, op. cit.

El Salvador has been among the least significant trading partners with Canada, and generally has ranked between fourth and sixth among the seven regional countries in the last 20 years in terms of both imports and exports. Like other Central American economies, El Salvador experienced a boom in the early 1970s, and an economic bust since then. Imports from El Salvador have remained rather steady since 1980, and Canadian exports to the country have decreased slightly during that period.[24]

Of all the Central American countries, Guatemala has been deemed by the Department of External Affairs (DEA) to hold the most promise as a trading partner for Canada. "If some measure of peace and prosperity were to return to Central America, Guatemala would offer one of the best markets in the region for Canadian capital goods in the power, transportation, telecommunications, agricultural, oil and gas, and manufacturing sectors."[25] It appears highly unlikely, however, that peace and prosperity will return to Guatemala or Central America anytime soon. Guatemala's

---

[24] Major Canadian exports to El Salvador include newsprint paper, asbestos, aluminum, dairy products, electronic equipment and pharmaceuticals. Imports have consisted principally of coffee, bananas and silver.
Statistics Canada, Summary of Canadian Imports/Exports, catalogue 65-001, various years.

[25] F.R. Harris "Canada/Guatemala Trade," Department of External Affairs Bulletin, March 1985, p.1.

Ambassador to Canada, Dr. F. Urruela, commented that Guatemala wishes to diversify its trade away from the United States, and that "Canada is a strong alternative to the United States."[26] Guatemala ranks in the middle range of Central American countries in terms of both imports and exports for Canada. Since 1980, Canadian exports to and imports from Guatemala have levelled or declined.[27]

Honduras is the poorest country in Central America and one of the least economically developed in Latin America. While Honduras enjoyed some increase in economic activity in the early 1970s, as did other Central American countries, it is now undergoing the worst economic and financial crisis in its history. This has been the result of rising energy prices, falling international prices for Honduran staple products, and capital fligt. In terms of imports from Honduras, its level has been oscilating between second and fifth place among Central American countries in a rather haphazard fashion. In terms of Canadian exports to Honduras over the last two decades, Honduras has ranked between second and sixth place among the isthmus nations.[28]

---

[26] Interview, Dr. F. Urruela, Guatemalan Ambassador to Canada, Ottawa, 28 May 1985.

[27] Chief Guatemalan imports to Canada include coffee, bananas, plantains, woven fabrics and cotton. Major Canadian xxports to the country include fish, newsprint paper, rubber and plastic products, aluminum, asbestos, iron, steel and zinc.
Statistics Canada, Summary of Canadian Imports/Exports, op. cit.

The Honduran Embassy's First Secretary in Canada indicated that he considers Canadian trade to be "quite important," and that Canada is a chief target for Honduras' attempt to diversify its trade away from its principal reliance upon the United States.[29] Thus, it seems that while Canada's Third Option has evaporated with the Mulroney Administration, notions of trade diversification appear to flourish in Central America.

Unlike most Central American economies, Panama does not rely strongly upon agricultural staple products (this accounted for only 10% of its GNP in 1984). Instead, its economy depends chiefly upon banking, commerce, insurance, the transisthmus oil pipeline and the Canal. The economy there boomed during the 1970s and the early 1980s, but has decelerated due to low commodity prices and the stagnation of the Colon Free Trade Zone in the wake of the recent global recession. A member of the DEA concerned with Central American trade has deemed the country to be the

---

[28] Major imports from Honduras include coffee, bananas and plantains; major Canadian exports to the country consist of wheat, newsprint paper, metal, electric lighting, transformers, insulated wire, fish, mining machinery and tires.

Statistics Canada, Summary of Canadian Imports/Exports, op. cit.

[29] Interview, Jose Reina, First Secretary, Honduran Embassy, Ottawa, 29 May 1985.

"Hong Kong of Latin America,"[30] thus indicating the prospects he sees for Canadian-Panamanian trade. Panama has ranked at or near the top of the list of Central American countries receiving Canadian exports over the last two decades, but has not ranked quite so high in terms of imports from Panama (see Chart IX). Since 1980, imports from the country have levelled or fallen, while exports have remained steady or risen slightly.[31]

I shall afford the topic of Canadian trade with Nicaragua more attention than Canadian trade with other Central American states due to the distinctiveness of Nicaragua's political economy and the significant political overtones of Canadian economic policy to that country. Prior to the Sandinista Revolution of 1979, Canadian trade with Nicaragua was negligible when compared to that of other Central American countries. In terms of both imports and exports, Canadian trade with Nicaragua generally ranked between fifth and seventh of the seven isthmus countries. This pattern continued until the early 1980s when the

---

[30] Interview, F.R. Harris, Department of External Affairs, Caribbean and Central American Trade Desk, Ottawa, 19 May 1985.

[31] Major Canadian exports include gold, fuel oil, newsprint paper, medicines, insulated wire and cable, steel, metal and cereal. Major imports include bananas, coffee, precious metals, shrimp, woven fabrics, and photographic film.

Statistics Canada, Summary of Canadian Imports/Exports, op. cit.

Sandinistas were able to get a grip upon the war-torn Nicaraguan economy.[32]

Nicaragua, Central America's largest country geographically, possesses certain qualities which afford it the potential to thrive economically, were it not for the fact that it suffered a bloody civil war in the 1970s and is the target of an increasingly intense American-supported attack in the 1980s. The country has good hydroelectric and geothermal potential, as well as favourable agricultural lands, and is endowed with fishery, forestry and mining resources.[33]

Devoting over 50% of its national budget to defence in its war with American-supported Contra forces, the Nicaraguan domestic economy appears to be getting worse every day. Trade deficits have steadily increased throughout the 1980s,[34] and the economy suffers mounting shortages of consumer goods as a result of both Washington's trade embargo against the country and Nicaragua's lack of hard currency for purchase of international goods. Against this rather grim backdrop, however, Canadian trade with

---

[32] Imports during that period consisted largely of bananas, coffee and precious metals, while Canadian exports to Nicaragua primarily included cereal, paper products, aluminum, drilling marchinery (Canadian companies owned gold mines in Nicaragua prior to the Revolution) and telecommunications equipment.
Statistics Canada, Summary of Canadian Imports/ Exports, op. cit.

[33] F.R. Harris, "Canadian/Nicaraguan Trade," Department of External Affairs Bulletin, 1 March 1985.

[34] Ibid.

Nicaragua has increased substantially since the overthrow of the Somoza regime. Imports from Nicaragua to Canada have increased from roughly $8.7 million in 1979 to $45.3 million in 1984.[35]

Now let us consider the effects of the US trade embargo aginst Nicaragua in 1985 and the impact this had upon Canadian trading patterns with the country. A week prior to the imposition of the embargo, President Reagan announced that

> I, Ronald Reagan, find that the policies and actions of the Government of Nicaragua constitute an unusual and extraordinary threat to the national security and foreign policy of the United States and hereby declare a national emergency to deal with that threat.[36]

This 'national emergency' translated in part to an economic embargo against Nicaragua, a move which confronted the Sandinistas with some formidable obstacles. Prime Minister Brian Mulroney, SSEA Joe Clark, and the Canadian House of Commons concurred in criticism of the US sanctions against

---

[35] Chief imports from Nicaragua in the mid-1980s include beef, gold alloys, bananas, shrimp and precious metals. Chief Canadian exports to the country during this period are dairy products, cereals, oils, fertilizers, trucks, medical supplies, industrial machinery and asbestos.
Statistics Canada, Summary of Canadian Imports/Exports, op. cit.

[36] Quoted in Timothy Draimin, "US Declares Trade Embargo Against Nicaragua," (Toronto: Canada-Central America-Caribbean Policy Alternatives), 10 May 1985.

Nicaragua.[37] In addition, although Joe Clark chastized the Reagan Administration for not consulting Canada prior to the announcement of the embargo, Clark's action was repudiated by Prime Minister Mulroney shortly afterwards.[38] Mulroney, therefore, has seemed to exercize some degree of caution vis-a-vis official Canadian condemnations of American policy towards Nicaragua.[39]

The embargo, imposed in May, 1985, had the effect of: 1) halting the purchase by the US of Nicaraguan products (worth $57 million in 1984, or 13% of total Nicaraguan exports); 2) halting US exports to Nicaragua (worth $112 million in 1984, or 16% of total Nicaraguan imports in 1984); 3) suspending service to the US by Nicaraguan ships; and 4) cancelling landing rights in the US by the Nicaraguan airline, Aeronica.[40] No other country joined the United States in its embargo against Nicaragua.

Shortly after the sanctions were imposed, Nicaraguan President Daniel Ortega, who was in Moscow at the time, disclosed that the Soviet bloc offered $202 million (US) in aid commitments to Nicaragua, an amount that was matched by

---

[37] J.T. Devlin, Department of External Affairs, Caribbean and Central American Division, "Letter to Eric Salmond of 10 Days for World Development," 27 November 1985. Reprinted through Canada-Central America-Caribbean Policy Alternatives.

[38] Timothy Draimin, op. cit., 1985.

[39] This point will be developed more fully in the next chapter.

[40] Globe and Mail, 2 May 1985; and New York Times, 10 November 1985.

Western European countries.[41] Japan, Canada and Western Europe served as substitute trading partners in the wake of the US embargo, though the Sandinistas had an easier time finding international buyers for their products than they did finding substitutes for goods Nicaragua purchased from the US, especially spare parts for American-equipped factories.

In conjunction with the US embargo imposed upon Nicaragua was an American insistence that Nicaragua vacate its trade office located in Miami. That trade office, Deltonic Trade, shifted its venue to Toronto shortly after the embargo was imposed. SSEA Joe Clark announced that he received strict assurances from Nicaraguan Deputy Foreign Minister Victor Tinoco that Nicaragua would not circumvent the embargo by purchasing in Canada American-made spare parts for US-crafted machinery in Nicaragua.[42] Nicaragua, however, is permitted to purchase any Canadian-made goods. Nicaraguan Consul-General in Toronto, Pastor Valle-Garay, commented that the US embargo represents a "blessing in disguise" since it "puts an end to our almost absolute trade with one country (the US) and allows our country to diversify in our foreign trade."[43] A specialist in Nicaraguan affairs for the DEA said privately that the US embargo would push the Sandinistas closer to the Soviet orbit and would hurt the private sector - a phenomenon which occurred in the aftermath of the Cuban Revolution of 1959.

---

[41] New York Times, 10 November 1985.

[42] Globe and Mail, 22 May 1985.

[43] Ibid.

At the time of the embargo, a DEA bulletin noted that

> As we consider that the Central American crisis stems largely from socio-economic disparities and problems, Canada believes that these issues should be addressed not by embargos, but by encouraging economic and social development. Hence, our substantial aid programme in Nicaragua will be maintained.
>
> We have maintained and continue to maintain normal commercial and diplomatic relations with Nicaragua.
>
> We intend to monitor the implementations of the sanctions of the USA Department of the Treasury closely to ensure that export controls do not adversely affect Canadian individuals or firms in respect of their activities in Canada.
>
> The Government is not introducing a special programme to increase trade with Nicaragua. But Canada will not discourage Canadian firms from seeking new business. Normal Government facilities services will apply.
>
> We have received high level USA assurances that the embargo does not have extraterritorial reach.
>
> Canada remains convinced that the Central American crisis is aggravated by East/West confrontation. Neither the USA embargo nor President Ortega's

> visit to Moscow have lessened these problems.[44]

Thus, two salient points arose with respect to Canada's decision to allow Nicaragua's Deltonic Trade to relocate from Miami to Toronto. First, Canada reasserted its right and intention to conduct commercial relations with whatever partner it chooses, even if this contradicts American policy objectives. The incident illustrates that Canada will encourage domestic business to seek profitable trade relations with both capitalist and socialist states, although the Canadian Government underscored the point that it would not go out of its way to bolster trade between Canada and Nicaragua. Second, while Canada unequivocally launched criticism against the Americans for their embargo against Nicaragua, Ottawa was careful to balance this by criticizing Daniel Ortega for his trek to Moscow which was widely perceived to represent a major public relations blunder in the eyes of North Americans. We shall see that Ottawa has conformed to a pattern of refusing to criticize US policy towards the region unless this is balanced by criticism of Nicaragua.

When asked to what extent Canada could assist in alleviating the burden placed upon Nicaragua in light of the American embargo against the country, Nicaraguan Consul General Pastor Valle-Garay replied that "one of the reasons we want better relations with Canada is that it has agricultural know-how"[45] - both with respect to procedure and agricultural technology. Since the Sandinistas took power, the Government there has attempted to increase agricultural output for domestic consumption as well as for the export market. Valle-Garay expressed hope that Canada would provide increased levels of spare parts for American-made agricultural machinery. It would appear that Nicaragua and Canada possess compatible interests in this regard, since a trade specialist at the DEA indicated that "Canada can provide technology for agriculture" and therefore allow Central America to process more of its own goods.[46]

---

[44] Canada, Department of External Affairs, bulletin, "Outline of Canadian Policy in the Light of USA Trade Embargo on Nicaragua," 5 June 1985.

Valle-Garay told a Canadian magazine that he hoped trade with Canada would rise to $250 million per annum by 1988.[47] Similarly, President of Deltonic Trading Corporation Jorge Chamorro predicted in the spring of 1985 - incorrectly - that "trade (with Canada) will have to go up in the next 12 months. Besides the close distance, Canadian products are very competitive."[48] In the same vein, an analyst associated with a Canadian interest group concerned with Central American affairs, observed that

---

[45] Interview, Pastor Valle-Garay, Nicaraguan Consul General, Toronto, 17 May 1985.

[46] Interview, F.R. Harris, op. cit.

[47] NOW, 7 November 1985.

[48] Ibid.

> The potential for increased Canadian trade with Nicaragua...is considerable in the area of capital goods and technology exports, an area where Canada has long sought to increase in order to improve its own global terms of trade.
>
> Like many Third World nations, Canadian exports are largely commodities, the prices of which do not rise as quickly as the prices of the manufactured goods we import.[49]

As the chart below indicates, there are a number of areas where Canada can fill the gap for US exports to Nicaragua. At a more universal level, it has been observed that "Ironically, it is in large part the 'branch plant economy' of which Canadian nationalists complain that gives Canada the 'alternate supplier' capability."[50]

---

[49] Bob Thomson, "Canadian Trade Relations with Nicaragua After the US Embargo," Canada-Caribbean-Central America Policy Alternatives, 7 May 1985.

[50] Annette Baker Fox and Wiliam Fox, "Domestic Capabilities and Canadian Foreign Policy," International Journal, vol. 34, #1 (1983/84), p. 40.

CHART X

A COMPARISON OF CANADIAN AND US EXPORTS TO NICARAGUA 1983

	Total Value $US	%	Total Value $Cdn	%
Food and Animals	9,747,119	7.5	9,924,664	62
Beverages and Tobacco	18,760	.01		
Crude Materials Inedible	3,476,427	2.7	700,939	4
Mineral Fuels	6,298,314	4.9		
Oils and Fats	11,074,799	8.5		
Chemicals	38,123,987	29.0		
Manufactured Goods	13,758,601	11.0	2,787,827	18
Machinery and Equipment	37,659,940	29.0	2,373,827	18
Misc. Manufactured	8,330,689	6.4		
Other	1,323,829	1.0	143,374	1
Total	129,812,465	100	15,930,439	100

SOURCE: B. Thomson, "Canadian Trade Relations with Nicaragua After the US Embargo," CAPA, Toronto, 7 May 1985.

But the optimistic assessments of Nicaraguan officials and other commentators regarding prospects for drastically or even moderately increased levels of Canadian-Nicaraguan trade are quite probably misplaced. As Chart B demonstrates, Canadian trade with Nicaragua with respect to both imports and exports actually declined in 1985 from 1984 levels. Imports fell from $45.3 million in 1984 to $25.6 million in 1985, and exports fell from $22.5 million in 1984 to $18.4 million in 1985. The reasons for this decline are chiefly that Nicaragua's ruinous economy has created a lack of hard currency with which to purchase goods from abroad, and also because Canada's Export Development Corporation continues to freeze the availability of insurance to Canadian businesses wishing to export to Nicaragua - a point to which we will return shortly. Nicaraguan Consul General Pastor Valle-Garay asserted that Nicaragua turned to Canada against the backdrop of the US embargo partly because transportation costs between Canada and Nicaragua are cheaper than those with Europe or Japan, and also because "we felt that Canada would be able to deal with us fairly, that political ideologies would not make much difference, as long as we are able to pay."[51]

But Nicaragua's ability to pay appears to be the chief impediment to elevated levels of commerce between Canada and Nicaragua. As a member of the DRIE who specializes in Canadian-Central American trade indicated in an interview that "The movement of Nicaragua's trade office to Canada probably won't make a big difference in Nicaraguan/Canadian trade, since the Nicaraguans lack the money to purchase

---

[51] Interview, Pastor Valle-Garay, op. cit.,

Canadian goods."[52] A similar view was expressed by a trade official at the DEA.[53] Thus, it would appear optimistic to suggest that trade between Canada and Nicaragua will remain even at existing levels until peace returns to Nicaragua and the economy there reaches its thriving potential.

Some have attempted to draw an analogy between Canada's policy towards Nicaragua in the 1980s and Canadian relations with revolutionary Cuba in the early 1960s. When US President Eisenhower requested that Canada join its trade embargo against Cuba in 1960, Prime Minister Diefenbaker declined, presumably due to a forecast of good commercial relations between Cuban and Canada. Over the last 25 years or so, Cuba has evolved into Canada's fourth largest trading partner in Latin America, and Canada represents Cuba's largest source of Western trade - especially in the realm of high technology and spare parts for machinery.[54] It is significant to note that since the imposition of the American embargo against Cuba, Canada has enjoyed a trade surplus with that country averaging about $300 million per year.[55] As mentioned earlier, the Trudeau Administration recognized Canada's lucrative commercial relations with Cuba in its review of foreign policy to Latin America in 1970, when it reached the conclusion that "if Canada had been a member of the Organization of American States (OAS) in 1964, it would have been called upon to sever diplomatic, commercial and transportation links with Cuba."[56] When one attempts to draw an analogy between the Cuban and Nicaraguan cases, of course, it is necessary to appreciate that it is much too early to conclude that Nicaragua will be as successful a commercial venture for Canada as Cuba has been.

---

[52] Interview, Mario Nunez-Suarez, Special Assistant, Department of Regional Industrial Expansion, Ottawa, 31 May 1985.

[53] Interview, F.R. Harris, op. cit.

[54] Edmonton Journal, 9 May 1985; Ottawa Citizen, 8 June 1985; and Bob Thomson, "Canadian Aid and Trade Relations with Nicaragua," Canada-Caribbean-Central America Policy Alternatives, (CAPA), 1984.

[55] Bob Thomason, 1985, op. cit.

One difference between the Cuban and Nicaraguan situations is that it is reported that the American Government specifically requested Canada to join the embargo against Cuba in the 1960s,[57] whereas in the Nicaraguan case the Reagan Administration attempted to encourage its allies en masse to place an embargo upon Nicaragua, but there is no evidence that Canada was asked specifically. Perhaps this was due to Washington's acknowledgement of Canada's historical position of assuming businesslike relations with socialist states such as Cuba, China and the Soviet Union.

******

While Canadian developmental assistance to Central America will be discussed in general terms in the next section, let us take the opportunity now to discuss the relationship between Canadian trade and aid to Central

---

[56] Canada, 1970, op. cit.

[57] Edmonton Journal, 9 May 1985.

America. It is widely recognized that the Canadian state is quite heavily involved in bolstering the levels of Canadian exports. It has been observed that "...Canada's development assistance programmes are heavily geared towards a model of development which assumes that the export sector in the Third World must provide the leading dynamic in economic and social development."[58] Components of the Canadian state which attempt to facilitate increased trading opportunities for Canadian business include the Export Development Corporation (EDC), certain offices of the Department of External Affairs (DEA) and the Department of Regional Industrial Expansion (DRIE), as well as the Canadian International Development Agency (CIDA).

The EDC is probably the most significant organ of the state involved in export promotion. The EDC offers a number of programmes designed to stimulate exports, including various types of export financing, guarantees and insurance.[59] The EDC insures Canadian exporters, for example, against expropriations by foreign governments, damage to products incurred by civil war and the like, and the foreign purchaser's inability to pay for Canadian products due to various forms of political and economic distress. The EDC describes itself as

---

[58] Bob Thomson, 1984, op. cit.

[59] For a discussion of these programmes as they affect Canadian exports to Latin America, see Bob Thomson, ibid.

> A Crown Corporation enpowered by federal statute to insure Canadian goods and services are sold abroad, to make loans to foreign purchasers of Canadian capital equipment and technical services, to guarantee financial institutions against loss when they are involved in an export transaction either by financing the Canadian supplier or the foreign buyer, and to insure Canadians against loss of their investments abroad through non-commercial risks.[60]

As the President of a Canadian business lobby group with interests in Latin America has noted, there exists no private or commercial export credit insurance available to Canadian exporters with commercial aspirations in the Third World. In 1980, the EDC insured, financed and guaranteed 40% of Canada's export trade (in manufactures) outside the United States. It is of interest to note that between 1961 and 1979, 23.5% of all funds dispersed by the EDC went to subsidize Canadian exports to Latin America. The EDC reported in 1983 that two-thirds of its $5.9 million in claims in the third quarter of that year entailed transactions between Canadian businesses and their South or Central American counterparts[61] - thus demonstrating that Latin America is a high-risk region.

Some observers have indicated that Canadian exporters wishing to do business with Nicaragua have encountered difficulty securing insurance and other services from the EDC. A senior political risk analyst at the EDC observed that the Crown Corporation generally has beeen unwilling in recent years to provide insurance or guarantees to Canadian companies wishing to export to Central America.[62] In his assessment, Central America in general is "getting worse" both economically (e.g., capital flight, foreign debt, decreasing productivity) and politically (since the conflict between the US and Nicaragua has spilled over to Costa Rica, Honduras and Panama; and also due to civil wars in El Salvador and Guatemala). When pondering whether to provide insurance to Canadian exporters, the EDC takes into account such considerations as the foreign country's balance of payments, whether the project is a joint venture (which is favourable), whether the buyer seems able to pay for the goods he wishes to purchase, and whether political upheaval seems likely to affect the potential economic relationship.[63] Thus, it seems likely that the EDC will continue its moratorium on insurance to Canadian exporters interested in Central America until the profound economic and political problems in the region subside. We can therefore expect Canadian exports to the isthmus in general to deteriorate, or at best remain near existing levels.

---

[60] Export Development Corporation, "Markets for Canadian Exporters," Bulletin, Costa Rica, San Jose, September, 1974, p. 22

[61] Export Development Corporation, bulletin, 31 October 1983.

---

62. Interview, Pat Doyle, Export Development Corporation, Senior Political Risk Analyst, Market and Economic Analysis Division, Ottawa, 30 May 1985.

63. Ibid.

It is significant to note, however, that while the EDC appears unwilling to provide insurance and guarantees to Canadian exporters wishing to initiate trade between Canada and Central America, it is willing to offer additional insurance and other services to Canadian business which are already engaged in the region. Further, an EDC analyst indicated that the the crown corporation is also willing to provide its services to any project which is launched by CIDA and which is on the Government account.[64] Analysts for the EDC have indicated that their insurance exposure in Nicaragua is about $1 million at any given time.[65]

Despite the EDC's apparent unwillingness to provide its services to private Canadian corporations with interests in Central America, the Government offers other services to Canadian exporters with an eye on the isthmus. The DEA Programme for Export Market Development (PEMD) is designed to stimulate the level of Canadian exports by paying for certain travel costs for projects such as trade fairs and on-site feasibility investigations. Costs which the programme covers include: professional staff working full-time in Canada on a given project @ $100/day; a $150/day allowance for foreign trips to cover food, accomodation and transportation; 50% of the cost of return economy airfare to the country of prospective business partners; 50% of the costs of items such as legal and transportation services;

---

[64] Ibid.

[65] Bob Thomson, op. cit.

50% of the costs of space rental at trade fairs; as well as additional funding for transportation to Canada of potential foreign purchasers of Canadian products.[66] PEMD operation expenses aimed at programmes designed to stimulate Canadian trade with Central America in particular were: $2.3 million (or 2.8% of total budget) between 1971 and 1983, which generated an estimated $136 million in trade; $373,000 (or 2.9% of total budget) in 1981/82, which generated an estimated $13 million in trade; and $326,000 (or 1.6% of total budget) for 1982/83, which generated an estimated $40 million in trade.[67] Further, CIDA dispersed $750,000 between 1980 and 1984 in similar programmes to escalate Canadian trade with Nicaragua, and $2.8 million to bolster Canadian trade with all Central American countries during the same time frame.[68]

The first trade mission from the Central American private sector arrived in Canada in April, 1985 - an event sponsored by the DRIE, the DEA and CALA. The delegation included members from Costa Rica, El Salvador, Panama, Honduras, Guatemala and Nicaragua. The 15-member group travelled across Canada, and most of the members in the delegation attempted to stimulate Canadian investment in the region or to increase the level of Central American exports to Canada. Numerous representatives of Canadian businesses were on hand to promote their own products.

---

[66] For an in-depth discussion of these and other programmes, see Bob Thomson, 1984, op. cit.

[67] Bob Thomson, 1984, op. cit., p. 34.

[68] Bob Thomson, 1985, op. cit.

An anomaly in the delegation was Sr. Enrique Bolanos, president of the Supreme Council of Private Enterprise in Nicaragua, and a member of several other business associations. Bolanos' presence was distinctive since his chief purpose appeared to be to discourage Canadian trade, investment and aid to his country. In his plea to tell an Edmonton audience "the real truth about Central America," Bolanos embarked on a litany describing what he believed to be the horror of becoming "a satellite of Cuba."[69] He asserted that, in Nicaragua, "the Contras are public enemy number one, and the private sector are public enemy number two."[70] One of his final comments was that "I cannot invite you to make investments in my country," since this is a task reserved for Nicaraguan Government officials.[71]

Therefore, while other members of the delegation vigourously attempted to elevate commercial opportunities between their respective countries and Canada - as one would expect from a trade delegation - Bolanos attempted to discourage Canadian commercial interests in Nicaragua. One wonders, then, why he was included in the delegation which was subsidized and co-sponsored by the Canadian Government, since he had no power to initiate trade, and his stated purposed was to discourage Canadian business in Nicaragua. Since Sr. Bolanos' position on matters of politics and economics is well known, one can only speculate that his inclusion in the delegation reflected a political choice by one or more members of the Canadian sponsors of the tour. One might venture to guess that members of the DRIE were responsible at least in part for Bolanos' presence in the delegation, since that Department's former Minister Sinclair Stevens adopted quite a strong anti-Sandinista stance,[72] and a member of the DRIE who was instrumental in sponsoring the delegation is also quite critical of the Sandinistas.[73] Hence, there appear to be factions within the Canadian state which are supportive of Sandinista Nicaragua, and others which clearly are not.[74]

---

[69] Speech by Enrique Bolanos, President, Nicaraguan Supreme Council of Private Enterprise, Edmonton, 23 April 1985.

[70] Ibid.

[71] Ibid.

An official at the Central American and Caribbean Trade Desk at the DEA noted that the Department is attempting to maintain 'momentum' inspired by recent missions.[75] That official also pointed to the success of a Canadian trade fair in Panama in March, 1985 (see Chart D). Thirteen

---

[72] See for example the dissenting opinion attached to the report authorized by Stevens and others, Canada, Canada's Relations with the Caribbean and Central America, op. cit., pp. 52-58.

[73] Interview, Mario Nunez, op. cit.

[74] This point will be developed more fully in the next chapter concerning Canada's politico-diplomatic relations with the region.

[75] Interview, F.R. Harris, op. cit.

Canadian companies participated in the fair, generating on-site sales of $240,000, and close to $3 million in sales afterwards. It seems clear that such missions serve as an important counterbalance in the realm of Canadian-Central American commerce to the deleterious political and economic phenomenon which plague Central America in general.

The notion of increased trade between Canada and certain Central American countries is not without controversy. Several members of the House of Commons standing committee on Canada's relations with Central America asserted in 1982 that Canada should evaluate human rights conditions in Central American countries when assessing whether those countries offer a stable venue for Canadian trade and investment. El Salvador and Guatemala were presumably the two countries most vulnerable to criticism in the realm of human rights. Certain Canadian interest groups have also expressed concern over Canadian corporate ties with Third World countries that violate human rights.[76] Former SSEA MacEachen responded to this controversy by asserting that "human rights issues and political and economic stability are not necessarily related."[77] We shall return to aspects of this topic when we examine Canadian aid to Central American countries.

---

[76] See Taskforce on Churches and Corporate Responsibility, "Canadian Economic Relations with Countries that Violate Human RIghts," Toronto, 1 June 1982, as well as other annual reports by this group.

[77] Globe and Mail, 22 June 1983.

***

Robert Carty and Virginia Smith argue in their important work, Perpetuating Poverty, that

> Canada consistently comes out ahead in its trade relationships with non-oil producing Third World countries, partly because of the deteriorating terms of trade between North and South and because countries like Canada restrict imports from the Third World.[78]

But as Chart B demonstrates, in 1965 and during the period 1970-1985 only once (1974) did Canada export more to Central America than it imported from the region. Therefore, Canada's trade pattern with Central America does not conform to the general portrait of Canadian trade with the Third World that Carty and Smith describe above. This is because Canada's trade deficit with Central American countries is a product of the shortage of hard currency in the isthmus countries which prevent them from purchasing more Canadian goods, and also because Canada has no need to erect restrictions on Central America's tropical staples which are exported to Canada.

It is worth noting that Canada's trade with areas immediately surrounding Central America is much more significant than with Central America itself, as Chart XI demonstrates. Canada's trade with Mexico alone surpasses the level of Canadian trade with all of Central America.

---

[78] Robert Carty and Virginia Smith, Perpetuating Poverty (Toronto: Between the Lines, 1981), p. 166.

Chart XI

CANADIAN TRADE WITH COUNTRIES SURROUNDING CENTRAL AMERICA

(thousands, $Cdn.)

Source: Statistics Canada, various years, catalogue 65001

COUNTRY	1970	1971	1972	1973	1974
Mexico					
Import	47343	50182	52952	83282	114265
Export	91697	78784	99079	118595	118085
Balance	+	+	+	+	+
Venezuela					
Import	339212	387664	410908	522488	1291054
Export	111390	121765	150270	152987	204372
Balance	-	-	-	-	-
Colombia					
Import	26589	32114	30418	32639	39078
Export	24624	23695	28471	34065	41961
Balance	-	-	-	+	+

COUNTRY	1975	1976	1977	1978	1979
Mexico					
Import	95297	146076	194918	184186	208320
Export	218605	213111	216825	229272	236372
Balance	+	+	+	+	+
Venezuela					
Import	1100837	1296698	1377239	1282719	1504969
Export	293768	372924	510945	685694	681399
Balance	-	-	-	-	-
Colombia					
Import	32121	41657	63650	81446	95834
Export	38045	59709	60860	82351	97031
Balance	+	+	+	+	+

COUNTRY	1980	1981	1982	1983	1984
Mexico					
Import	345296	1048634	999410	1079255	1437696
Export	482903	715296	446480	375022	350727
Balance	+	-	-	-	-
Venezuela					
Import	2190263	2384920	1810461	1014461	1207226
Export	652924	545151	437572	231700	247857
Balance	-	-	-	-	-

The same is true for Canadian trade with Venezuela or the Caribbean region.[79] As Maurice Dupras, former chairman of the House of Commons standing committee on Canada's relations with Central America, noted, "...some 40% of Canadian oil imports come from Mexico and Venezuela, countries immediately adjacent to the unstable and violence-prone region of Central America."[80] While oil imports may be less of a concern in 1987 than they were in the early 1980s, it seems distinctly possible that oil imports may once again become a significant concern in the future. Hence, while Canada's direct economic interests in the isthmus may be rather meager, Canada has a larger stake in Central America's neighbours which may be vulnerable if the war between Washington and Managua ignites into a regional conflict. Thus, it would appear to be in Canada's economic interests to promote stability in the isthmus.[81]

***

In sum, commercial ties between Canada and Central America reached a height in the 1970s, though political and economic turmoil in the isthmus have served to drag that momentum. During the 1970s and 1980s, Central American

---

79. Canadian exports to the Caribbean were $954 million in 1984, almost twice the level of exports to Central America. See, Joe Clark, Competitiveness and Security: Direction for Canada's International Relations (Ottawa: Supply and Services Canada, 1985), p. 16.

80. Maurice Dupras, "The Case for the OAS," Government of Canada Communique, 1983, p. 1

81. We shall return to this point in the concluding section of this chapter.

political officials have paid lip service to the notion of diversifying trade away from the US in an attempt to weaken the historical ties of dependency between Central America and the United States. Canada seems to be a target of these hypothetical frameworks of diversification. A DEA official who handles Canadian/Central American trade matters observed that "I think there is a lot of anti-American sentiment in Central America that is very real. Trade delegation members told me that although the US has done a lot for them, the US looks down on them. Canadians treat them as equals, they say."[82]

Politicians, business officials and academics in Canada have also discussed the idea of diversifying trade away from the US - although this has been sporadic in nature and has seemed to lack any strong degree of unanimity. Despite the obvious failures of the Trudeau Administration's Third Option in the 1970s, some Canadians still entertain the concept of trade diversification in the mid-1980s as Canada directs upwards of 75% of its exports to the United States. Glen Williams points out that:

> Canadian attention should be diverted from its North American focus toward the expanding markets of the less industrialized countries.
>
> Scientific product development and the promotion of specialized lines would allow Canadian industrialists to capture and hold a share of

---

[82] Interview, F.R. Harris, op. cit.

> these foreign markets. Although Canadian manufacturers would be entering 'the struggle' for international markets at a late date, this fact enables us to profit, if we will, from the experience which other countries have clearly acquired.[83]

This view has also been shared recently by certain important members of the private sector. An official of the Royal Bank of Canada, the country's largest bank, who oversees the financial climate of Latin America as it relates to Canadian economic opportunities, observed that "I think it will be to Canada's advantage to expand trade outside the US. If we don't, others will."[84]

So the question emerges as to whether or not Central America represents a potentially important target for Canadian trade diversification, in the rather unlikely event that the Canadian powers-that-be decide to relinquish anytime soon the notion of putting 75% of Canadian export 'eggs' into the increasingly protectionist American 'basket'. Certainly there exists some capacity for increased levels of trade between Canada and Central America. But the extent of this potential appears quite limited as long as the Central American political economy in general remains torn by the twin constraints of entrapment in the Great Contest between capitalism and socialism, and by the boom and bust cycles of their staple economies. Moreover, since the Central American nations are quite small, they would represent a rather minimal commercial appeal during the best of times. An official at the DRIE who handles Canadian commercial interests in Central America reached the conclusion that "economic and financial conditions" in Central America have eroded even further in 1985 and the first half of 1986, creating a "detrimental effect on our trade relations with the region."[85] We have noted above, however, that the increasingly frequent trade missions between Canada and Central America have served to offset to some extent this deteriorating commercial environment.

---

[83] Glen Williams, Not for Export (Toronto: McClelland and Stewart, 1983), p. 134.

[84] Interview, B. Khan, Manager, Special Services, International Trade and Correspondent Banking, Royal Bank of Canada, Toronto, 23 May 1985.

Finally, we have seen that Canada possesses significant economic ties with regions immediately surrounding Central America. It would appear that these interests are vulnerable to a regional conflict that could erupt in the wake of a full scale war between the United States and Nicaragua. To this extent, Canada has a stake at maintaining peace in the region - although there are additional reasons behind Canada's attempts to promote peace in Central America, as we shall see.

---

[85] Mario Nunez-Suarez, Special Assistant, Department of Regional Industrial Expansion, leter to author, 24 June 1986.

PART TWO: CANADIAN DIRECT INVESTMENT IN CENTRAL AMERICA

Canadian direct investment abroad is predominantly located in developed countries, which received nearly 80% of all such investment in 1981. When one considers the level of Canadian investment in Central America in this context, the extent of that investment does not appear significant. However, Canadian direct investment in Central America represents about 5% of all Canadian investment in developing countries, and accounted for 30% of all Canadian direct investment in Latin American in 1981.[86] Hence, when viewed from the perspective of Canadian investment in the developing countries in the hemisphere, the presence of Canadian multinational corporations in Central America seems more significant.

Chart XII shows the level of Canadian investment in Central America since 1970 (please note that the Chart has two parts). But these figures may be somewhat misleading. For example, while Statistics Canada indicates that Canadian direct investment in Central America was $239 million in 1981, SSEA Mark MacGuigan asserted in the House of Commons

---

[86] 86. Canadian direct investment in Central America was $239 million in 1981, and $1.032 billion in Central America and Latin America combined (excluding the Caribbean), Statistics Canada, Canada's Direct Investment Abroad, Catelogue 67-202, various years; information from Statistics Canada's Ottawa Office, provided by Phillip Massad.

The Hansard indicates that Canadian investment in Central America represents one-third of all Canadian investment in Latin America, see Hansard, 9 March 1981, p. 833.

The slight discrepancy in these figures may be due to Ottawa's use of sources other than Statistics Canada for measuring direct foreign investment abroad.

CHART XII
CANADIAN DIRECT INVESTMENT IN CENTRAL AMERICA AND SURROUNDING COUNTRIES, 1971/1984

(in millions, $Cdn.)

	1971	1972	1973	1974	1975	1976	1977	1978
Central America	40	50	45	49	75	130	119	159
Mexico	43	38	43	52	56	49	49	74
Venezuela	8	11	9	-	-	22	31	49
Colombia	← between 3 and 4 →						6	4
All developing countries	1257	1361	1604	1867	2086	2388	2814	3971
All countries	4036	4667	5436	6171	7487	8339	9500	11486

	1979	1980	1981	1982	1983	1984
Central America	225	235	239	230	261	255
Mexico	106	158	212	242	243	271
Venezuela	49	59	59	67	71	75
Colombia	9	11	20	16	*	*
All developing countries	3477	4275	4886	5240	5375	6207
All countries	13724	16595	21531	*	*	*

Source: Statistics Canada, Canada's Direct Investment Abroad, various years, catelogue 67-202; and information provided from Statistics Canada staff, Edmonton office.

Note: 1983 and 1984 figures represent projections offered by Statistics Canada. Central America is listed as an aggregate figure for Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Panama; except 1984 figure does not include Nicaragua.

*denotes figures not available at time of writing.

that $300 million was a more accurate figure.[87] Further, some observers have claimed that despite the book value of Canadian direct investment abroad shown by Statistics Canada's figures, the real value of Canadian investment in Central America could very well be five times higher than the book value.[88]

At any rate, Canadian investment in Central America grew rapidly in the mid-and-late 1970s, resulting from both the favourable economic climate in Central America during that period, as well as from the Canadian state's increased efforts to bolster Canadian investment abroad through programmes offered by CIDA, the EDC, and other Government agencies. Canadian investment in the region, however, decelerated in the early-and-mid 1980s, primarily as a result of the political turmoil which plagues the region and which created a rather unfavourable investment climate. This situation was recognized by the EDC, which halted its support for private Canadian ventures in Central America in the early 1980s.

In comparative terms, Canada's investment in Central America is roughly equal to the level of Canadian multinational interest in Mexico during this period, although the pace of the Canadian investment in Mexico has been more rapid.

---

87. Ibid.

88. Timothy Draimin, "Canadian Foreign Policy to El Salvador," op. cit., p. 100.

As we see from Chart XIII, there are a number of Canadian multinational corporations which are present in Central America. Let us explore briefly the role of some of the more prominent ones on the isthmus. INCO's mining operation in Guatemala ranked until recently among the most significant Canadian investments in the region. INCO's $250 million investment in its EXIMBAL mine in Guatemala represented the largest Canadian investment in Central America, as well as the largest foreign investment by any country in the Central America.[89]

INCO's EXIMBAL mine became embroiled in controversy even before it began its nickel-mining operation in 1970, when local critics of the project voiced strong objections to the facts that: INCO was not obliged to pay any royalties to the Government of Guatemala (INCO instead agreed to pay the Guatemalan Government a percentage of its profits from the operation); INCO paid almost no income tax there; INCO prohibited union labour; and the Government of Guatemala paid exorbitant funds to provide infrastructure to support the project.[90] In short, critics convincingly charged that the Guatemalans suffered exploitation under INCO's mining

---

89. Canada, Department of External Affairs, "Canadian Economic Interests in Central America," 1975; and Tim Draimin, "Canada and Central America: An Overview of Business and Governmental Relations," Canada-Caribbean-Central America Policy Alterantives (CAPA), Toronto, 1982, p. 83.

90. Latin American Working Group, "INCO in Guatemala," LAWG Letter, vol. 5, #7/8, 1979, pp. 9-10; and Timothy Draimin, op. cit., 1982, p. 87.

Chart XIII

CANADIAN CORPORATIONS IN CENTRAL AMERICA

COSTA RICA	Type of Industry
Canadian Pacific Ltd.	(service)
Canron Inc.	(engineering)
Seagram Company	(food)
EL SALVADOR	
Bayer Foreign Investments	(chemicals)
Canadian Javelin Ltd.	(mining)
Moore Corp. Ltd.	(paper/paper products)
GUATEMALA	
Asamara Oil Corp.	(petroleum)
Inco. Ltd.	(mining)
Lacana Mining Corp.	(mining)
Mineral Resources International	(mining)
Molson Companies	(food)
Moore Corp.	(paper and products)
Westcoast Transmission Co.	(petroleum)
Seadev International	(construction)
Gaucher and Pringle	(service/construction)
HONDURAS	
Noranda Mines Ltd.	(mining)
Westcoast Transmission Ltd.	(petroleum)
NICARAGUA	
Bata Industries	(manufacturing)
Noranda Mines	(mining-terminated 1979)
Windarra Mines	(mining-terminated 1979)
PANAMA	
Bannister Continental	(commodities)
Bank of Nova Scotia	(finance)
Bank of Montreal	(finance)
Royal Bank of Canada	(finance)
Canadian Imperial Bank of Commerce	(finance)
Toronto-Dominion Bank	(finance)
Bata Industries	(manufacturing)
Canadian Javelin Ltd.	(mining)
Canadian Pacific Ltd.	(service)
Diacan of Canada	(engineering)
Libby, McNeill and Libby of Canada	(food)
Massey Ferguson	(engineering)
Moore Corporation	(paper)
Place Development	(mining)
St. Regis Development	(paper)

SOURCE: Department of External Affairs, Canada, Bulletin, Canadian-Nicaraguan Trade, March, 1985; "Canadian Investment, Trade and Aid in Latin America," LAWG, vol. 7, no.1/2, 1981; Central America Update, December 1981; Globe and Mail, 4 June 1984.

operation. This criticism came by way of an inquiry in Guatemala composed of academics, trade unionists and political figures. The inquiry's attempt to extract a better deal for Guatemala from INCO's project met with little success. "Although the Government (of Guatemala) ignored the suggestions made by the inquiry, three of the inquiry members were the targets of assassination attempts...two of the three died."[91]

INCO's operations in Guatemala also generated considerable resentment in Canada among its employees. As INCO proceeded to lay off workers at its Sudbury nickel mine, the EDC lent $20.75 million in 1977 to INCO to set up its Guatemala operation.[92] The EDC assisted INCO's project in Guatemala by financing the sale of Canadian-made capital goods to help establish the mine,[93] which exemplifies how the Canadian state assists Canadian multinationals in the Third World.

Despite the favourable conditions surrounding the establishment of the project, combined with the fact that it paid its Guatemalan employees meager wages averaging between $2 and $10 a day, INCO was forced to shut down the mine in 1980 due to poor global market conditions for nickel. The potential envisaged in the project by the Guatemalan

---

91. Tim Draimin, 1982, op. cit., p. 87.

92. Latin American Working Group, 1981, op. cit., p. 8.

93. Jorge Niosi, Canadian Multinationals (Toronto: Garamond, 1985), pp. 50-51.

Government, the EDC and INCO was never realized. The largest foreign investment in Central America turned out to be a financial disaster.

Controversy also shrouded Canadian-owned mines in Nicaragua, although they proved to be profitable for a quite while from the perspective of the Canadian multinationals involved there. Noranda, which purchased two gold mines in Nicaragua in 1937 and 1940,[94] and Windarra Minerals, had their mines expropriated by the Sandinistas shortly after they took power in 1979. The new government expropriated all foreign-owned mines in November of that year. The Sandinista newspaper, Barricada, noted at the time that the Nicaraguan Government "is upholding our national sovereignty, the inalienable right of our people to the exploitation of our natural resources and the interests of thousands of workers...who for decades were the objects of crude exploitation by foreign owners."[95] Nicaraguan President Daniel Ortega told a Canadian House of Commons standing committee investigating Canada's relations with Central America that the nationalization of Canadian-owned gold mines in Nicaragua was justified since "they destroyed hundreds of workers from turberculosis and they looted our national resources."[96] The committee accepted Ortega's criticism of the mines.[97] Even former Nicaraquan dictator Somoza, during an interview with the Canadian Broadcasting Corporation, described the conditions of Noranda's mines in his country as deplorable.[98] Negotiations between the Canadian and Nicaraguan Governments concerning a settlement price for the mines to the Canadian owners are continuing as of this writing.

---

[94] Ibid., p. 108.

[95] Quoted in Socialist Voice, 26 November 1979.

[96] Canada, Canada's Relations with the Caribbean and Central America, op. cit., p. 21.

In contrast to the negative scenario which characterized the Canadian-owned gold mines in Nicaragua, BATA shoes continues to operate there with no apparent problems except that the company reportedly experiences problems with a shortage of supplies. This condition is presumably a product of the economic and military attacks against the country by the Reagan Administration.

It is interesting to note that the Canadian multinationals which have investments in Central America are among the very largest Canadian corporations. For example, BATA is the world's largest shoe manufacturer, Moore Corporation (in El Salvador) is the world's largest producer of business forms, and INCO is a giant in the nickel-producing industry.

> Eighty percent of Canadian corporate foreign investment in semicolonial countries is in Latin America, with more than $300 million in Central America alone.

---

[97] Ibid.

[98] Central America Update, 9 November 1979, p. 79.

> This investment is concentrated in the hands of a few corporate giants: Bata, Massey-Fergusson, Westcoast Transmission.[99]

Related to this, Niosi points out that 16 Canadian multinationals accounted for 65% of all Canadian direct investment in 1976[100] - and eight of these have investments in Central America. Since some of Canada's largest MNCs have interests in Central America, we might expect that this portion of Canada's dominant class has some degree of concern with respect to the Central American crisis, even if their investment there may be rather small.

Regarding Canadian banking interests in the isthmus, it is significant to note that the Royal Bank, the Bank of Nova Scotia, the Bank of Montreal, Toronto-Dominion Bank and the Canadian Imperial Bank of Commerce all have branches in Central America - most of which are concentrated in Panama.[101] While it is virtually impossible to obtain figures regarding the exposure of Canadian banks in the region, an official at the Royal Bank indicated that it had outstanding loans to the Governments of all Central American countries.[102] The exposure in 1984 of Canadian banks in all

---

99. Socialist Voice, 3 December 1984.

100. Jorge Niosi, op. cit., p. 49.

101. Globe and Mail, 4 June 1984.

102. Inteview, B. Khan, Royal Bank, Toronto Main Branch, Manager, Special Services, International Trade and Correspondent Banking, 23 May 1985.

of Latin America is estimated at $18,900 million.[103] An official at the Royal Bank indicated that the political turmoil which plagues Central American countries does not necessarily fit into the equation entailed in the Bank's decision of whether or not to offer a particular government a loan. The 'continuity' of the local government is the most important consideration in such decisions, he said, in addition to "a regime which is sympathetic to foreign investment, and which have trading priorities compatible to that of Canada's."[104]

Some Canadian observers have been critical of the Royal Bank's lending practice to Somoza's Nicaragua. It is estimated that the Royal Bank held 15% to 20% of the former dictator's national debt to private banks.[105] A 1978 report by Nicaragua's Central Bank indicated that the Royal Bank had lent the Somoza regime $42.8 million.[106] It has been charged that most of those funds were utilized to subsidize Somoza-controlled businesses in Nicaragua.[107] Further, in 1978 the Royal negotiated a $20 million loan to the Somoza government, which the opposition newspaper in Nicaragua, La

---

[103] North-South Institute, "The Mulroney Program and the Third World," 4 January 1985, p. 3.

[104] Interview, B. Khan, op. cit.

[105] M. Kaufman, "The Internationalization of Canadian Bank Capital," Journal of Canadian Studies, vol. 19, #4 (Winter, 1984-85), p. 79.

[106] Nicaraguan Update, 1 August 1979.

[107] Ibid.

Prensa, charged was serving as a conduit for draining capital out of Nicaragua into the dictator's foreign bank accounts.[108] The loan was cancelled once it became clear to the Royal in September, 1978, that the Sandinistas would probably gain control of the country.

Canadian banks have also made loans to the governments of Central American nations which have contracts with Canadian multinational corporations. The Bank of Nova Scotia, for example, lent Guatemala $5 million for construction of a hydroelectric plant which was designed to supply the INCO mine there with inexpensive power beginning in 1983. Of course, that mine shut down in 1980 and so the hydroelectric plant failed to meet its primary purpose. Further, four Canadian banks have financed a project involved with the Highway Development Project of Guatemala (DAG) in which a Canadian firm has interests - the Montreal-based Societe de Formation Administrative, Technique et Industrielle, which is the subsidiary of the Quebec-based Gaucher and Pringle. The Canadian banks involved in this project are the Toronto-Dominion Bank, the Bank of Nova Scotia, the Royal Bank, and the Canadian Imperial Bank of Commerce.

It would seem, however, that the Central American imbroglio wields the potential to generate a sense of alarm for Canadian banks with outstanding interests in Latin America. This is because of the possibility that a regional

---

108. Tim Draimin, 1982, op. cit., p. 84.

war in Central America may develop as the United States escalates its attacks on Nicaragua through its proxies, the Contras. Such a development could triger outrage in many Latin countries, and may also spark civil wars throughout the hemisphere between the Left and the Right - thereby jeopardizing the interests of Canadian banks.

Finally, it is important to note CIDA's role vis-a-vis Canadian multinational investment abroad. CIDA assists the interests of Canadian corporations investing in developing countries by fostering the establishment of infrastructure - such as roads, power stations and telecommunications systems - which provide a favourable investment climate in the host country.[109] As Jorge Niosi observes, "the EDC also indirectly aids Canadian multinational corporations...by financing the sale of Canadian equipment and services to their subsidiaries" in the Third World.[110] We have already observed how the EDC promotes Canadian investment in developing countries. Thus, it is clear that agencies of the Canadian state are crucial to the interests of Canadian corporations in developing countries.

*****

We have seen that the level of Canadian investment in Central America is rather small when compared to Canadian direct investment in all Third World countries, and even smaller when viewed in the context of Canadian investment in all nations abroad. Viewed from another angle, however, we we observed that Canadian direct investment in Central America constitutes about 30% of all Canadian investment in Latin America. Further, we saw that the pattern of growth of Canadian multinational investment in Central America was quite strong in the mid-and-late 1970s. This was the result of good economic conditions in the region, as well as of the efforts of the Ottawa to promote Canadian investment in the Third World. This bright pattern was arrested, however, in the 1980s as political turmoil and an economic recession began to plague the isthmus.

---

[109] For a further discussion of this topic, see Latin American Working Group, op. cit., p. 84.

[110] Jorge Niosi, op. cit., pp. 50-51.

Since the very largest Canadian multinational corporations have investments in Central America, we may presume that the voice of these interests is heard when the Government formulates policy towards Central America. It is in the interests of Canada's business class for the Canadian state to pursue policies which support capitalist regimes generally, and which defuse political turmoil which disrupts a favourable business climate. This does not necessarily mean, however, that the business class will favour US policies in the region.[111]

Although Canada has expressed its support for the self-determination of Third World states and has encountered profitable economic relations with socialist countries such as Cuba, it would seem that the Canadian business class nevertheless prefers capitalist regimes in the developing countries of this hemisphere. There are two major reasons for this. First, socialist regimes tend to extract a greater degree of rents and the like from multinational corporations operating in their countries, and may even expropriate multinational corporations - as was the case with the Canadian-owned gold mines in Nicaragua. That is, capitalist regimes in general tend to create a more favourable investment climate for multinational corporations - although certainly there exist notable exceptions to this, such as Chevron's plant in Angola which enjoys the protection of Cuban troops against American-supported guerrilla forces.

---

[111] See Chapter Two for an expanded discussion of this point.

Secondly, and equally significant, the proliferation of socialist regimes - particularly in this hemisphere - are met with harsh military confrontations by the United States in its effort to sustain itself as leader of the capitalist world and to arrest any erosison of its hegemony. Thus, the emergence of socialist states in the Western hemisphere tends to result in warfare and related instabilty which creates quite an unfavourable investment climate for Canadian multinational corporations - as we are witnessing now with respect to the Central American region. Further, it would seem that there would exist formidable motivations for multinational corporations not to support the policies of the Reagan Administration in Central America, precisely because Washington is creating more chaos and perhaps is heigtening revolutionary tensions there - at least in the short run. Others might counter this argument by suggesting that the Reagan Administration is acting in the long-term interests of capital in Central America, at the cost of short-term instability. But such an argument appears weak, since Reagan's policies may actually create a polarization in the region which fosters socialist sentiment and therefore is not in the long-term interests of capital.[112]

PART THREE

CANADIAN DEVELOPMENTAL ASSISTANCE TO CENTRAL AMERICA

Canada's aid policy to Central America is contradictory in many respects. The most potent domestic determinant of Canadian assistance to Central America, and to the Third World in general, is the Canadian business sector, while the most salient international determinant of Canadian aid to the isthmus is the pressure exerted by US imperial interests. Hence, dominant class theory and an international political economy approach can be combined to analyze Canada's developmental assistance to the region.

POLICY FORMULATION

Cabinet is responsible for formulating Canadian developmental assistance programmes, while CIDA endeavours to administer such programmes. Cabinet employs a collegial approach to policy formulation - that is, a consensus must be reached among the ministers regarding policies adopted. Generally, aid policy is devised by inter-departmental committees which consist of representatives from government departments which have an interest in aid programmes.

---

[112] Please see Chapter Two for an elaboration of this argument.

Perhaps the most rigourous study to date regarding the Canadian aid formulation process is by Peter Wyse, who purports to offer an 'inside view' of the system based upon his years of duty in a variety of positions within the Canadian International Development Agency (CIDA). According to Wyse, there are typically representatives from six departments in Cabinet's interdepartmental committees which devise aid. These include representatives from: 1) the Department of External Affairs (DEA); 2) the Department of Regional Industrial Expansion (DRIE), formerly Industry Trade and Commerce, which represents the voice of Canadian commercial interests in the Third World; 3) the Department of Agriculture, which favours aid policies that reflect the interests of farmers through techniques such as 'tying' aid to Canadian farm products and equipment; 4) the Department of Finance, which attempts to incorporate Canadian aid policies into both the realm of Canada's macro-economic policy as well as trends within the international financial system; 5) the Treasury Board Secretariat, which attempts to mould aid policies to conform to adminstrative standards applied to the rest of the federal government; and finally, 6) CIDA, which has the important though nebulous task of representing the voice of the Third World in the aid formulation process.[113]

CIDA's mandate to represent Third World interests in the Cabinet's decision-making process, according to Wyse, is ultimately relegated to a "weak voice...caught between other departments and the federal bureaucracy."[114] Further, he argues that while Canadian assistance ostensibly aims to further the developmental aspirations of the Third World, often this assistance instead reflects the primary objectives of the departments represented in interdepartmental cabinet committees which formulate aid.[115]

While Wyse adopts a statist analysis of Canada's aid policy, one which focuses chiefly upon bureaucratic in-fighting, it would appear that a variant of dominant class theory might be more appropriate for our purposes. This is because the chief representatives on Cabinet's interdepartmental committees which devise aid policy tend to reflect business interests (DRIE, Agriculture, Finance, Treasury Board). Moreover, while Wyse suggests that the DEA generally favours aid policies that advance Canadian 'influence' in the Third World, he fails to define clearly the motives behind such attempts to wield influence. I shall argue later that this 'influence' tends to reflect efforts to advance or maintain Canada's position in the international economy and generally to bolster the position of the United States in its efforts to stem the growth of socialism in developing countries.

---

[113] Peter Wyse, Canadian Foreign Aid in the 1970s (Montreal: Center for Developing Area Studies, 1983), p. i, pp. 26-27.

[114] Ibid., p. 27.

[115] Ibid., p. 27.

TYPES OF AID

Canadian developmental assistance falls into three general categories: bilateral, multilateral and special programmes. While the following brief discussion is descriptive and technical in content, it provides a necessary basis for an analytical review of Canadian aid policies which will follow.

Bilateral assistance, which accounted for about 40% of CIDA's funding in 1984,[116] consists of five sorts of programmes. The Technical Assistance Programme consists of funding for services offered by Canadian advisors/experts on a variety of matters entailed in commercial transactions between Canadians and their partners in developing countries, and also includes scholarships to Canadian universities for Third World students. Project Grants provide funds for feasibility studies, procurement, advisors and other local costs entailed in the implementation of aid projects. Official Loans provide lines of credit to Third World countries for purchase of variety of predominantly Canadian goods and services, as well as institutional support loans and balance of payment support. Country Focus bilateral funds involve CIDA disbursements to Non Governmental Organizations (NGOs) at a matching rate of 9 (CIDA) to 1 (NGO). This arrangement has been described by some NGOs as problematical, since the NGOs which accept this sort of funding may find themselves overwhelmed by Government financial support and thus may be compelled to conform to the priorities established by CIDA rather than the priorities developed by their own organization.[117] The final form of bilateral funding is the Mission Administered Fund (MAF) which consists of grants disbursed through the Canadian Embassy for small local projects. This category of assistance provides Canadian Embassies with some degree of local clout, since the Embassy can act as a benefactor to selected indigenous groups. Importantly, at least 80% of all bilateral funds must be spent on Canadian goods and services (tied aid).

---

[116] Latin American Working Group, "Overview of Canadian Aid to Central America," (Toronto: LAWG, 1986), p. 4.

Canadian multilateral funding, which accounted for 33% of aid in 1984-1985[118], is channeled through such agencies as the World Bank, the Inter-American Development Bank (IADB), the United Nations and its associated agencies.

Special Programmes assistance include funds disbursed to: international non-governmental organizations; institutional cooperation and developmental services - which usually entail joint projects between Canadian universities or cooperatives and their Third World counterparts; local bilateral funds involve CIDA disbursements to Non Governmental Organizations (NGOs) at a matching rate of 9 (CIDA) to 1 (NGO). This arrangement has been described by some NGOs as problematical, since the NGOs which accept this sort of funding may find themselves overwhelmed by Government financial support and thus may be compelled to conform to the priorities established by CIDA rather than the priorities developed by their own organization.[117] The final form of bilateral funding is the Mission Administered Fund (MAF) which consists of grants disbursed through the Canadian Embassy for small local projects. This category of assistance provides Canadian Embassies with some degree of local clout, since the Embassy can act as a benefactor to selected indigenous groups. Importantly, at least 80% of all bilateral funds must be spent on Canadian goods and services (tied aid).

---

[117] Ibid., p. 21.

[118] Ibid., p. 4.

Canadian multilateral funding, which accounted for 33% of aid in 1984-1985[118], is channeled through such agencies as the World Bank, the Inter-American Development Bank (IADB), the United Nations and its associated agencies.

Special Programmes assistance include funds disbursed to: international non-governmental organizations; institutional cooperation and developmental services - which usually entail joint projects between Canadian universities or cooperatives and their Third World counterparts; local non-governmental organizations, which generally are interest groups aiming to promote social welfare programmes in recipient countries; and industrial cooperation projects, which provide funds to Canadian businesses in an effort to reduce the financial risks associated with investigating and preparing joint ventures, licensing agreements, long-term contracts, co-production agreements, etc., in the Third World.[119]

---

[117] Ibid., p. 21.

[118] Ibid., p. 4.

We should underscore the significance of NGOs in the provision of Canadian aid to Central America. In the 1980s, CIDA disbursements to NGOs have sometimes surpassed ordinary bilateral disbursements, as they have in Nicaragua (see Chart E). CIDA funding for NGO programmes continued even after bilateral assistance between Canada and El Salvador as well as Guatemala were terminated.[120] The political strength of NGOs derives from their general expertise with respect to both the programmes they administer and the countries which receive them. NGOs also serve to relieve CIDA of many of the burdens associated with the administration of projects.

OXFAM Canada director Meyer Brownstone suggested that NGOs, such as the one he represents, act to legitimize CIDA in Third World countries.[121] This is because CIDA is seen by some to represent a government agency which has as its primary goal the promotion of Canadian trade and investment interests in developing countries (a point to which I will return), while NGOs tend to be motivated by a sheer desire to assist Third World states with grass-roots oriented social and economic programmes. A CIDA official observed that NGOs sometimes have an advantage over bilateral programmes due to lower overhead costs, a lack of profit incentive, and great expertise in the project area.[122] The official characterized the relationship between CIDA and NGOs in Central America as 'excellent'.[123]

---

[119] For an in-depth discussion of the types of programmes which CIDA adminsters, see Bob Thomson, 1984, op. cit.

[120] Latin American Working Group, 1986, op. cit., p. 4.

[121] Interview, Meyer Brownstone, Director, OXFAM Canada, Toronto, 21 May 1985.

CANADIAN AID TO CENTRAL AMERICA

Latin America was the last region in the Third World to receive Canadian bilateral assistance. Canadian developmental assitance programmes to developing countries began with Asia, and later spread to the states of the Commonwealth Caribbean and Africa as the post-war process of decolonization proceeded. Canadian assistance to Latin America began with Canada's decision to lend funds to the InterAmerican Development Bank (IADB) beginning in 1964. It was the Canadian business sector which was instrumental in convinving the Government to assume full membership in the bank in 1972, since 80% of Canadian loans to the bank were tied to the purchase of Canadian goods and services. Canada lent the bank about $10 million per year between 1964 and 1972.[124] Critics point out that Canadian assistance to Latin America during this period served in some cases to reinforce American policy which attempted to bolster capitalist forces against socialist ones in the region.[125] Cases in point include Canadian assistance to Chile in 1964, which coincided with US programmes designed to prevent the election of the socialist candidate Salvador Allende, and when Canada implemented assistance to the Dominican Republic shortly after the US invasion of that country in 1965.[126]

---

[122] Interview, Bruno Herbert, CIDA Country Programme Manager, Ottawa/Hull, 28 May 1985.

[123] Ibid.

Canadian bilateral assistance to Latin America began in 1971, when CIDA targeted Central America as a region to be a prime recipient of aid, along with Peru, Colombia and Brazil. These were chosen as areas of concentration for Canada's Latin aid programmes since they were deemed to be not so poor that they would not be able to absorb aid effectively, and not so rich as to render aid unnecessary.

As the contest between capitalist and socialist forces in Central America became more pronounced in the 1980s, Canadian assistance to the region increased dramatically from 1970s levels. While Canadian bilateral assistance to Central America totaled slightly over $5 million in 1971-1980, assistance to the region totalled over $132 million from 1981-1982/1985-1986. A reason provided by CIDA officials to explain Canada's increased level of aid during this period is the domestic pressure on the Canadian Government to escalate developmental assistance to Central America - pressure stemming from Canadian interest groups and NGOs which already provided assistance to the region.[127] Later, other factors will be explored regarding the upsurge in Canadian aid to Central America in the 1980s.

---

[124] Latin American Working Group, "Canadian Investment, Trade and Aid in Latin America," vol. 7, no. 1/2, Toronto, 1981, pp. 33.

[126] See Peter Wyse, op. cit, pp. 17-18; and Latin American Working Group, 1981, op. cit., pp. 33-34.

While CIDA officials maintain that Canadian aid is disbursed primarily to promote development in the Third World's poorest countries,[128] critics of Ottawa's assistance programmes suggest that this aid fails to reach its potential effectiveness since Canadian aid policy is influenced heavily be domestic commercial pressures and by American efforts to preserve capitalist regimes in the hemisphere. Thus, these critics suggest that rather than reflecting the interests of the Canadian bourgeoisie or US imperial motives, the primary consideration in formulating aid policy should be the provision of aid toward countries whose governments are clearly interested in improving the lot of the impoverished populations.

> Perhaps the most important criteria for foreign aid's effective use toward just, equitable development

---

[127] Interview, Roberto Carr-Ribeiro, CIDA, Head of Programmes to El Salvador, Nicaragua, Costa Rica, and Panama, in San Jose, Costa Rica, 26 June 1984; and Interview, Bruno Hebert, op. cit.

[128] Interview, Carr-Ribeiro, op. cit.

> is the commitment of the recipient government to the needs of their majority population and their people's fullest political and economic participation.
>
> Development from this perspective accepts the necessity of profound social change.[129]

We will return to the debate concerning the determinants and goals of Canadian foreign assistance, but let us first take a look at specific aspects of Canadian aid to Central America.

COSTA RICA

Canada began providing Costa Rica with assistance in 1973/74.[130] Costa Rica represents a special case in Central America, in the sense that it has the highest standard of living in the region, and the casual tourist in San Jose might be apt to think he is in a Western European country rather than a Central American one. Although Costa Rica is not nearly as poor as the rest of the region, it is experiencing the effects of a severe economic recession, as we noted in the section concerning trade. Costa Rica, which is categorized by CIDA as a 'category two' country (eligible for aid on a project-by-project basis, rather than through multi-year commitments), has received an ever-increasing amount of Canadian aid in the mid-1980s. As a CIDA official in Costa Rica noted, "According to certain CIDA criteria, it

---

[129] Latin American Working Group, 1986, op. cit.

[130] CIDA, "Costa Rica," Country Profile, Hull, May, 1982, p. 3.

Chart XIV
CANADIAN AID TO CENTRAL AMERICA - 1969-1980

(thousands, $Cdn.)

COUNTRY	69-70	70-71	71-72	72-73	73-74	74-75
Costa Rica						
Bilateral	-	-	-	1	46	148
NGO*	-	-	4	-	15	64
UIA	-	-	-	-	-	-
El Salvador						
Bilateral	1172	-	194	-	5	1317
NGO	-	-	-	-	20	20
UIA	-	-	-	-	-	-
Guatemala						
Bilateral	-	-	4	130	49	23
NGO	95	15	25	33	15	40
UIA	-	-	-	-	-	-
Honduras						
Bilateral	-	4	169	531	305	2190
NGO	64	59	94	90	73	341
UIA	-	-	-	-	-	25
Nicaragua						
Bilateral	-	-	9	13	1415	1020
NGO	-	-	24	35	88	80
UIA	-	-	-	-	-	-
Panama						
Bilateral	-	-	-	-	-	-
NGO	-	-	-	8	17	6
UIA	-	-	-	-	-	-

Note: *NGO=Non-Governmental Organization, *UIA=Urgent International Assistance

---

Sources: Canadian International Development Agency, various Bulletins, "Canadian Bilateral Assistance,: "Non-Governmental Assistance," "Urgent International Assistance", 1985.

CANADIAN AID TO CENTRAL AMERICA - 1969-1980 (cont.)
(in thousands, Cdn. $)

COUNTRY	75-76	76-77	77-78	78-79	79-80
Costa Rica					
Bilateral	141	36	203	160	172
NGO	24	106	95	197	33
UIA	-	-	-	-	-
El Salvador					
Bilateral	1929	723	316	631	1369
NGO	6	36	72	125	170
UIA	-	-	-	-	-
Guatemala					
Bilateral	3323	1476	1881	4609	2942
NGO	107	1360	612	859	635
UIA	100	-	-	-	124
Honduras					
Bilateral	1441	435	1793	9878	4617
NGO	444	150	389	534	1132
UIA	-	-	-	-	-
Nicaragua					
Bilateral	127	570	395	-	197
NGO	50	246	467	163	699
UIA	-	-	-	185	80
Panama					
Bilateral	-	-	-	-	-
NGO	-	13	63	139	62
UIA	-	-	-	-	19

CANADIAN AID TO CENTRAL AMERICA - 1980/85 (thousands, $Cdn.)

COUNTRY	80-81	81-82	82-83	83-84	84-85	85-86
COSTA RICA						
Bilateral	33.7	4.6	2878	6000	6316	6567
MAF*	101	341	350	350	321	280
NGO*	60	260	81	211	242	85
EL SALVADOR						
Bilateral	2810	6378	436	347	333	31
MAF	20	50	275	350	351	350
NGO	157	229	280	599	325	264
Ind.Coop.*	10	-	-	-	1	-
Ist.Coop.*	-	-	-	5	-	-
Food Aid	-	-	-	-	-	-
GUATEMALA						
Bilateral	12[illegible]5	850	2187	511	484	90
MAF	60	313	350	350	350	350
NGO	525	396	300	701	246	806
Ind.Coop.	123	154	234	106	-	-
Int.Coop.	-	-	73	56	144	66
Food Aid	-	-	-	-	-	-
HONDURAS						
Bilateral	3626	3048	4306	3167	18778	2574
MAF	50	200	275	350	350	350
NGO	900	1400	1025	943	705	703
Ind.Coop.	68	45	52	128	115	16
Ist.Coop.	-	-	55	11	64	131
Food Aid	-	-	-	-	-	-
NICARAGUA						
Bilateral	5	1	984	5970	5828	5861
MAF	200	165	350	350	350	280
NGO	1500	1820	1200	2102	1428	827
Ind.Coop.	365	165	91	143	7	-
Ist.Coop.	87	640	412	47	796	1288
Food Aid	-	4500	-	2816	-	-
PANAMA						
Bilateral	-	-	-	-	-	-
MAF	40	150	150	150	150	80
NGO	88	210	155	206	248	126
Ind.Coop.	270	46	20	12	-	-
Ist.Coop.	-	-	281	73	20	-
Food Aid	-	-	-	-	-	-

Sources: CIDA Bulletins, "Aid Disbursements to Central America, 1980-1984," and "Aid Disbursements to Central America, 1981-1986".

---

*MAF=Mission Administered Funds, NGO=Non-governmental organization funds, Ind.Coop.=Indunstrial Cooperation funds, Ist.Coop.=Institutional Cooperation Funds

(Costa Rica) is theoretically ineligible for aid," but Canada provides considerable assistance there because it recognizes the "importance of stability in Costa Rica."[131]

Canadian bilateral assitance to Costa Rica rose from about 2% of total Canadian aid to Central America in 1971-1980, to 3% in 1982-1983, 38% in 1983-84, and 21% in 1984-85. This paralleled Washington's jump in aid provisions to Costa Rica from $300,090 in 1981 to $9.2 million in 1985.[132] Hence, Canadian aid to Costa Rica rose as tensions between Washington and Managua mounted, and increased particularly in 1983 when the US stepped up its Contra attacks on Nicaragua, attacks which were based partly in Costa Rica. Therefore, one might venture to assume that Canadian aid to Costa Rica seems aimed primarily at preserving stability there against the background of a faltering economy and heightened regional polarization.

A scandal of sorts arose over certain aspects of Canadian aid to Costa Rica when Southam News reported in 1985 that Canadian Ambassador Francis Filleul authorized payment of approximately $1,400/month from CIDA funds to serve as salary for Costa Rican Housing Minister Vidal Quiros Berrocal - a situation explained away by Costa Rican officials as necessary due to the country's inability to pay the minister his wages as a result of fiscal restraints.[133]

---

[131] Interview, Carr-Ribeiro, op. cit.

[132] Latin Ameican Working Group, 1986, op. cit.

[133] Edmonton Journal, 5 December 1985.

Canadian Liberal MP Sheila Copps, the party's housing minister at the time, asked Deputy Prime Minister Erik Nielsen in the House of Commons whether "this government is not ashamed that instead of building housing for needy Costa Ricans, our aid is going to pay the salary of a political hack who earns 25 times the salary of a Costa Rican farm worker?"[134] The funding was halted in December, 1985, shortly after the episode made headlines in Canada. The incident is significant in that it brought attention to the question of priorities entailed in Canadian assistance to Central America.

EL SALVADOR

Canadian assistance to El Salvador began in the early 1970s. A CIDA bulletin in 1979 asserted that "CIDA's objectives in El Salvador are aimed at raising the living standards in the rural population."[135] Projects during this period involved seed production, potable water and scholarships.[136] While Canadian aid to El Salvador comprised 14.3% of total CIDA assistance to Central America during 1971 - 1980, this percentage swelled to almost 40% in 1981. Perhaps this jump in aid reflected Ottawa's desire to support economic development in the country in an attempt to quell the strength of Leftist forces there, whose

---

134. Globe and Mail, 30 November 1985.

135. CIDA, "Canadian Developmental Assistance to El Salvador," June, 1979, Hull, p. 1.

136. Ibid.

egalitarian ideology appeals to portions of the impoverished masses. A state of civil war has characterized El Salvador since 1980, as has periodically been the case since the 1930s. Ottawa, however, suspended aid to the country in 1981, and cited human rights violations there as the principal cause. Some projects began in 1981 or prior to that date accounted for small amounts of bilateral funding which continued flowing to El Salvador after the official suspension of aid.

Although human rights violations were heralded as the chief factor behind the suspension of Canadian developmental assistance, it would appear instead that the primary reason behind the suspension of aid was the safety hazards faced by CIDA officials in El Salvador against the backdrop of an increasingly intense civil war.[137] While bilateral aid was halted, Canadian assistance through NGOs and international lending institutions continued. Amidst widespread domestic criticism, SSEA Joe Clark announced in December, 1984, that negotiations were being initiated to resume aid to El Salvador as a catergory two country. The implementation of this aid occurred in June, 1986. The level of Canadian assistance is likely to pale against American aid to El Salvador, estimated at $557 million in 1985.[138] A consultant to CIDA who oversees aid projects to the country observed that in contrast to US projects there, "Canada has a low profile. We don't drive up in big cars and have big projects like the Americans. I think Canadians are well accepted in Central America."[139]

---

[137] Concerning the intensity of the civil war, see, for example, Walter LaFeber, Inevitable Revolutions (New York: Norton, 1983), pp. 284-292.

[138] New York Times, 15 February 1985.

Resumption of aid to El Salvador signaled a major change in Central American policy by the newly-elected Mulroney Government. The resumed aid will take the form of an $8 million fund for displaced refugees in El Salvador's civil war. Critics suggest that the displaced persons assistance will be infused into the Salvadorean Government's plans to relocate rural populations in the American-concocted scheme to prevent Leftist sympathy among Salvadorean peasants. We will return to this important point when we discuss the relationship between Canadian aid and human rights violations in the Third World.

Canadian assistance programmes to El Salvador in the 1980s include bilateral projects such as an electrical transmission plant, as well as assorted NGO assistance programmes which focus on health, education and welfare.[140]

GUATEMALA

Originally considered to be the country which held the most promise for Canadian business, Guatemala received about 31% of all Canadian bilateral aid to Central America in the period 1971-1980. Canada provided massive aid to Guatemala in 1976 to help that country recover from its devastating earthquake. A CIDA bulletin in 1979 observed that

---

[139] Interview, Barbara Rodrigues Assman, CIDA, Consultant for CIDA projects in El Salvador and Panama, in San Jose, Costa Rica, 26 June 1984.

[140] CIDA, Bulletins, 1985, op. cit.

> Despite the devastation of the February, 1976 earthquake, Guatemala's gross national product increased by 7% in 1976 compared to 2% in 1975
>
> ...Guatemala's major developmental problem is the gap between the urban modern sector of the population in the traditional rural population which is 87.2% illiterate and suffers from malnutrition.
>
> It was this population that was hardest hit by the earthquake and it is in this area that Canada's programme to assist the country is concentrated. The main thrust is reconstruction.[141]

Canada provided about $8 million in reconstruction grants to Guatemala until 1981.[142]

This relationship began to sour in 1981, however, when Canadian-based INCO mining corporation shut down its operation in Guatemala due to low profit margins, and when CIDA suspended aid to that country amid allegations of widespread human rights violations. As with the Salvadorean case, some bilateral assistance trickled into Guatemala after the suspension as a result of 'leftover' projects. Canadian NGO aid also continued. Although official bilateral aid was suspended, this move was balanced by newly-established Canadian credits provided through the Export Development Corporation (EDC), Canada's support for loans to Guatemala through multilateral lending institutions, and through the appointment of Canada's first ambassador to Guatemala. "These positive gestures toward Guatemala indicate that Ottawa regards the aid suspension as a regrettable interruption of normally good relationships."[143] Unlike the Salvadorean case, the suspension of Canadian assistance to Guatemala has not been lifted.

---

[141] CIDA, "Canadian Developmental Assistance to Guatemala," June, 1979, Hull.

[142] CIDA, "Country Profile, Guatemala," 1982, Hull.

Guatemala's Ambassador to Canada, Dr. F. Urruela, commented that Canada's suspension of aid to his country represents "a contradiction, since Canada says problems there are socio-economic in origin. But Canada's lack of support worsens socio-economic conditions."[144] He also expressed hope that Guatemala's image in Canada will improve with his country's newly-elected civilian govenment.

Canadian assistance to Guatemala in the 1980s includes an assortment of industrial cooperation projects and NGO programmes.[145] We shall return to the Guatemalan case when we discuss the issue of Canadian aid to countries that violate human rights.

---

143. Latin American Working Group, 1986, op. cit., p. 12.

144. Interview, Dr. F. Urruela, op. cit.

145. CIDA, Bulletins, 1985, op. cit.

PANAMA

Although Canada offers Panama no bilateral projects, CIDA offers the country funds through the Canadian Embassy in Costa Rica. These funds are provided to community groups in Panama which conduct social welfare programmes. Other forms of aid include industrial cooperation projects and NGO programmes.[146]

HONDURAS

Canadian bilateral assistance to Honduras, Central America's poorest country, commenced in 1971. Nearly 45% of all Canadian bilateral assistance to Central America went to Honduras in the 1970s, although the country witnessed pronounced political instability as the military propped up nine presidents during this period. Criticism of Canadian assistance to the country amplified significantly in the 1980s when it became clear that Honduras was being utilized by Washington as the major launching point for Contra invasions of Nicaragua. Canadian assistance to Honduras has been used, presumably without the prior knowledge of Canadians, for the construction of infrastructure employed by Contra forces near the Nicaraguan border. In 1982 CIDA disbursed $250,000 through a component of the United Nations for the construction of a road to assist a forestry project there.[147] A year later, the forestry project became defunct and the road was used by Contra forces to establish a major military base at Fort Mocoron. That incident exemplified the danger that well-intentioned Canadian aid to Honduras - or elsewhere in Central America - might be employed to bolster the US-directed invasion of Nicaragua.

---

[146] Ibid.

Honduras is the only Central American country currently to receive 'core country' (high priority) status from CIDA, which means that assistance is provided on the basis of long-term planning rather than a project-by-project basis. Responding to suggestions by Canadian human rights groups that the Canadian Government should re-evaluate Honduras' core country status in light of that country's role as a conduit for American-designed incursions into Nicaragua, a DEA bulletin commented that a demotion of Honduras from core country status would be

> based on the unrealistic view that a curtailment of our input into the management of the forestry sector, for example, would influence their approach to the current conflict with Nicaragua.[148]

Criticism of Canadian assistance to Honduras came not only from Canadian interest groups concerned with human rights. The Globe and Mail asserted in an editorial that the disbursement to Honduras of one-third of all Canadian bilateral assistance to Central America (in the early 1980s) was unjustified against the backdrop of human rights abuses in that country, and that Ottawa should reconsider whether Canadian

---

[147] R. Annis, "Should Canada Aid Nicaragua's Enemies?" Socialist Voice, 7 March 1983.

[148] Canada, Department of External Affairs, Bulletin, "Response to the Interchurch Committee on Human Rights," March, 1984, p. 4.

> aid efforts in Honduras are compatible with the recent militarization of the country.
>
> The vast US and Honduran expenditures for roads, airstrips and other military infrastructure have produced rampant military corruption and have distorted economic development of the country.
>
> Canada should encourage a change of direction.[149]

Canadian assistance to Honduras in 1984-85 rose to represent 56% of all Canadian bilateral aid to Central America. A Canadian interest group which monitors aid to Central America criticized the "...development value of (Canadian) aid dispensed through a repressive government which accords a higher priority to US Government aims than to the aspirations of its own people."[150]

Bilateral programmes to Honduras include several forestry projects, such as a line of credit for the "...equipment and necessary material for the protection and exploitation of the forests."[151] Other CIDA programmes include industrial cooperation projects and NGO programmes.[152]

---

[149] Globe and Mail, 3 April 1984.

[150] Latin American Working Group, 1986, op. cit., p. 11.

[151] CIDA, Bulletins, op. cit.

NICARAGUA

Canadian assistance to Nicaragua began in the wake of the devastating earthquake in that country in December, 1972. Relatively small amounts of aid continued through the 1970s. Ironically, once the Sandinistas came to power in 1979, the Carter Administration attempted to pressure a reluctant Canada into providing greater levels of support for the new Government of Nicaragua. As the Washington Post reported in 1979

> US efforts to salvage almost-bankrupt Nicaragua may soon lead to new strains in Canada-US relations.
>
> The reason: Canada is reluctant to shell out big aid bucks for Nicaragua, a country with which it has had few dealings in aid, trade or political terms.
>
> But rejecting a US-organized aid drive for Nicaragua will likely mean angering some congressional or adminstration people, and that is a far more important concern for Canada than what happens to Nicaragua.[153]

While Washington poured in over $100 million in emergency aid shortly after the Sandinistas took power, the Americans increasingly attempted to attach strings to the aid, especially during the beginning of the newly-elected Reagan

---

[152] Ibid.

[153] Washington Post, 6 October 1979.

Adminstration in 1981. The US began stipulating that 60% of the American funds must go to the private sector in Nicaragua - which did not look favourably upon the socialist ideology of the Sandinistas. Nicaragua rejected this sort of aid in 1981.[154] During this period Canadian aid to Nicaragua increased slightly (See Chart E).

Canadian aid to Nicaragua increased dramatically in the mid-1980s. Bilateral assistance jumped from $204,000 in 1980/81 to nearly $6 million in 1985. The major increase in Canadian assistance to Nicaragua occurred in 1983, shortly after the publication of ~~the~~ House of Commons Standing Committee Report on Canada's Relations with the Caribbean and Central America. The Report noted that

> The Nicaraguan government has assigned a high priority to the satisfaction of basic needs and economic reform.
>
> ...The Subcommittee believes that continued assistance to Nicaragua is justified both on developmental and political grounds.
>
> It offers a means to give effect to Canada's concern for pluralism in Nicaraguan society and non-alignment in that country's foreign policy. We wish, however, to add a strong cautionary note.
>
> The build-up of the Nicaraguan armed forces could divert scarce resources away from development projects and pose a threat to neighbouring countries.

---

[154] Interview, David Randolf, Political Analyst, American Embassy in Managua, Nicaragua, 2 July 1984.

> ...the Canadian Government should make it clear that its provision of assistance is conditional upon Nicaragua maintaining its armed forces solely for self-defence purposes.[155]

Hence, Canada began to increase substantially its assistance to Nicaragua shortly after the US severed its aid to the country. Perhaps this was due in part to the standing committee's point that aid to Nicaragua might assist in promoting that country's 'non-alignment' - or non-Soviet alignment - in order to preserve stability in the hemisphere. This and other motivations for Canada aid to Nicaragua will be considered in detail later.

The Progressive Conservative Government continued to provide economic assistance to Nicaragua, following the precedent of the Liberal Trudeau Administration. The Director of Caribbean and Central American relations at the DEA commented at the time that "there hasn't been any change in policy towards Nicaragua."[156] Canadian assistance to Nicaragua also continued after the imposition of the US trade embargo against that country in 1985.

A 1985 roundtable conference in Ottawa entitled 'Negotiations for Peace in Central America' - composed of scholars, government officials, and interest group representatives from Canada, the United States, and Central America - recommended that Canada and other Western allies

---

155. Canada, Canada's Relations with the Caribbean and Central America, op. cit., pp. 23-24.

156. Quoted in The Citizen, (Ottawa), 25 October 1984.

"...provide economic aid to Nicaragua, especially for obtaining petroleum from Mexico (which recently announced it will no longer supply Nicaragua with oil) and Venezuela, in order to reduce its reliance on the Soviet Union and to defuse the East-West polarization taking place."[157] The Latin American Working Group, a Canadian counter-consensus interest group, suggests that Ottawa elevate Nicaragua from a 'category two' country to the 'core country' status enjoyed by Honduras, since

> Nicaragua is one of the few governments whose economic model could incorporate western aid in ways to benefit the majority.
>
> ...But the Government has steadfastly ignored all appeals that it shift Nicaragua into the number one core country category.
>
> Aid watchers infer that the refusal to upgrade Nicaragua stems at least partially from an unwillingness to be seen 'systematically' - instead of occasionally - contradicting US policies.[158]

Commenting on the level of Canadian assistance in place in 1985, Nicaraguan Consul General Valle-Garay observed that "it's adequate. We wish it were more."[159]

Recent Canadian bilateral projects in Nicaragua include: a line of credit for potable water systems, a line of credit for agricultural products, a programme aimed at a greater degree of food self-sufficiency in Nicaragua, and a loan for a massive geothermal project.[160] The Momotombo geothermal plant will cost an estimated $52 million, and Canada contributed $12 million as a loan for the project which is co-financed by Italy and France. The Momotombo geothermal electricity plant draws on renewable energy sources, and hence will reduce Nicaragua's dependence upon imported oil. Another programme involved the transport of 500 Holstein cows from New Brunswick in 1984 to bolster the dairy industry in Nicaragua. The cows now supply Nicaraguans with one-third of their milk.[161] There also exists a number of institutional and industrial cooperation projects, as well as NGO programmes whereby CIDA contributed nearly $7.5 million between 1981-2/1985-6.[162]

---

[157] Liisa North, ed., "Negotiations for Peace in Central America, A Conference Report," Canadian Institute for International Peace and Security, Ottawa, 1986, p. 22.

[158] Latin American Working Group, 1986, op. cit., p. 10.

[159] Interview, Pastor Valle-Garay, op. cit.

Since Canadian assistance to Nicaragua represents a chief policy difference between Ottawa and Washington, we will return to this important point when we discuss the determinants and goals of Canadian assistance to Central America.

CANADIAN AID AND HUMAN RIGHTS

Canadian developmental assistance to countries which flagrantly violate human rights has generated considerable debate between Canadian counter-consensus interest groups and the Government. With respect to the Central American region, two countries which top the list of human rights violators are Guatemala and El Salvador. Canada halted bilateral aid to both of those countries in 1981, but has renewed aid to El Salvador in 1986, and there exists speculation that it will do the same in Guatemala sometime soon. The Canadian Government has stated that the reason behind the initial suspension of bilateral aid to those countries was chiefly the Government's moral repugnance to violations of human rights. Consistent with this rationale, Canada in December, 1983, sponsored a United Nations Resolution deploring human rights abuses in Guatemala, which is recognized internationally as one of the world's worst venues of such violations.

---

[160] CIDA Bulletins, 1985, op. cit.

[161] Interview, Pastor Valle-Garay, op. cit.

[162] CIDA, Bulletins, 1985, op. cit.; Globe and Mail, 26 November 1984; and Interview, Meyer Brownstone, OXFAM Canada, op. cit.

But there exist some important contradictions to Canada's rather high profile, moralistic stand regarding human rights abuses in Guatemala. Ten days after the Canadian Government sponsored the UN resolution condemning Guatemala, Canada voted in favour at the IADB of a $52.8 million (US) aid project to the country.[163] While the IADB has provided hundreds of millions in aid to Guatemala, the bank has halted aid to Nicaragua due to American pressure.[164] Further, the same week in July, 1981, that Guatemalan military forces murdered a Canadian missionary from New Brunswick, Canada's EDC announced a $7.5 million loan to the Guatemalan Government to cover the cost of purchase of locomotives from Bombardier Inc. of Montreal.[165] In addition, after the suspension of bilateral aid CIDA continued to disburse funds to Guatemala in the form of Mission Administered Funds (MAF), NGO programmes, as well as Institutional Cooperation Projects and Industrial Cooperation Projects. The most probable reason why Canada halted bilateral assistance to the country was due to the concern for safety of CIDA workers in the field, which reportedly received threats from local right-wing death squads.[166] Hence, there exists some reason to doubt the Canadian Government's claim that aid was halted to Guatemala primarily as a result of its moral abhorence of human rights abuses there.

---

[163] Globe and Mail, 11 February 1984.

[164] Globe and Mail, 12 March 1984.

A similar picture emerges with respect to Canadian aid to El Salvador, where bilateral assistance was suspended in 1981 ostensibly due to widespread human rights violations. Canada's suspension of aid to El Salvador "...outraged the US by putting on hold indefinitely a $10.2 million Salvadorean aid project - the building of a hydro electric power plant through the Central American country."[167] While the Government officially cited moral repugnance to human rights abuses as the rationale behind the move, DEA sources

---

165. Central America Update, December, 1981.

166. Interview, Bruno Herbert, CIDA, op. cit.

167. Globe and Mail, 12 June 1985.

indicated that Leftist forces in El Salvador "were blowing up the Canadian hydro poles as fast as the Canadians could put them in."[168] CIDA sources also indicated that the safety of Canadian workers was a primary factor in Canada's decision to halt bilateral aid to the country.[169] The House of Commons Standing Committee Report on Canada's Relations with the Caribbean and Central America recommended that "The Government resume bilateral assistance to El Salvador only if the Government of El Salvador effectively implements land reform and makes substantial progress toward reducing human rights violations committed by Government forces."[170] That recommendation went unheeded.

In June, 1985, Canada announced it would reinstate aid to El Salvador, although it took until June, 1986, actually to implement a multi-million dollar line of credit. This credit included a grant of $8 million worth of Canadian fertilizer to be sold in El Salvador at market prices, the proceeds of which will be utilized to assist displaced Salvadoreans - a point to which we shall return. The Canadian Hunger Foundation (CHF), an NGO, will administer the fund. The CHF, formerly part of the Canadian Council for International Cooperation until the group refused to support the resumption of Canadian bilateral assistance to El Salvador, has never been involved with projects in the country.[171] In response to widespread criticism of the move by a variety of Canadian interest groups, the DEA released a bulletin on the matter which stated in part that

---

[168] Ibid.

[169] Interview, Norman Willoughby, CIDA, Bilateral Projects Advisor for Nicaraguan Projects, San Jose, Costa Rica, 26 June 1984.

[170] Canada, Canada's Relations with the Caribbean and Central America, op. cit., p. 4.

> The present Salvadorean Administration under the leadership of President Duarte appears genuinely committed to implementing social and economic reform, curbing human rights abuses, strengthening the justice system, and pursuing a policy of national reconciliation.
>
> ...In support of President Duarte's desire to improve further the human rights record and to alleviate economic hardship, Canada has decided to resume aid to El Salvador.[172]

Domestic counter-consensus interest groups, however, were not satisfied with that rationale.

Meyer Brownstone, Director of OXFAM Canada and Professor of Political Science at the University of Toronto, harshly criticized the Government's plan. As noted earlier, CIDA's grant of Canadian fertilizer to be sold at market prices in El Salvador will be placed in a fund to be utilized to relocate displaced persons in the war-torn country. However, Professor Brownstone points out that these funds will complement the US-directed sweep of Leftist forces in El Salvador by aiding "peasants only after they have been displaced from their homes by the Salvadorean army."[173] Nearly 600,000 peasants have been displaced by the military since 1979. Tactics such as aerial bombardments of entire villages continue, and as recently as February, 1986, the Salvadorean Government launched 'Operation Phoenix', a bombardment scheme designed by the military to clear peasants away from the Guazapa volcano area where Leftist forces enjoy strong support.[174] Operation Phoenix created 1045 refugees, the imprisonment of 70 civilians, and the death of 245 civilians.[175] Brownstone argues that "Canadian aid groups are aware that aid is an essential part of such political and military strategy. Peasants are uprooted and then become dependent for food and shelter upon the military and its cooperating agencies."[176]

---

[171] Central America Update, June, 1986, vol. 7, #6.

[172] Canada, Department of External Affairs, Bulletin, "Resumption of Aid to El Salvador," January, 1986.

Further, Brownstone points to US pressure as a strong determinant behind Canada's decision to reintroduce bilateral aid to El Salvador.

> Canada's churches and almost all its aid agencies sense US pressure behind what seems, on the surface, a humanitarian gesture.
>
> ...CIDA Chairman Margaret Catley-Carlson has said that the US 'would be delighted and has encouraged the

---

[173] Globe and Mail, 16 June 1986.

[174] Ibid.

[175] Central America Update, June, 1986, op. cit.

[176] Globe and Mail, 16 June 1986.

> restoration of Canadian aid' (to El Salvador).[177]

In defence of the Government's policy, M. R. Bell, assistant deputy minister of the Caribbean and Latin American branch of the DEA, responded to the letter by Brownstone (an excerpt of which has been provided above) by arguing that "...there has been no US pressure..." regarding Canada's reinstatement of aid to El Salvador. Bell, however, acknowledged that "...it is true that the US was no doubt pleased with the decision."[178] Responding to another letter by Brownstone in the Globe and Mail, Bell asserted in a counter-letter that

> Professor Brownstone is setting up preconditions that would deprive many of the 500,000 displaced people of the benefits of the new Canadian programme. These benefits will include such basic forms of assistance as food, clothing and shelter.[179]

Still, the DEA official sidestepped the issue that the Canadian aid package is complementary to an American-directed scheme to terrorize and then relocate the civilian population in El Salvador in what will probably emerge as a brutally futile attempt to eradicate Leftist forces.

In sum, then, it would appear that Canada is willing to provide aid to Central American countries such as El

---

177. Ibid.

178. Globe and Mail, 7 July 1986.

179. Globe and Mail, 26 April 1986.

Salvador which grossly violate human rights. Further, it seems that the Canadian Government has propped up a facade of moral repugnance to human rights violations when it suspended aid to El Salvador and Guatemala, since the primary reason behind the move appears to be the direct safety hazards faced by CIDA employees in the field, and the futility of bilateral projects which are highly vulnerable to the activities of civil warfare. Acquiescence to American interests represents another possible motive behind the Government's decision to re-establish aid to El Salvador.

DETERMINANTS OF CANADIAN DEVELOPMENTAL ASSISTANCE

Let us begin here with an examination of the domestic factors behind the formulation of Canadian aid policy to Central America. These factors can be placed into three broad categories: 1) Canadian business interests; 2) pressure exerted by counter-consensus interest groups; and 3) attempts by the Canadian State to wield influence in foreign countries (which is related to international determinants of aid policy).

The House of Commons Report on Canada's policy towards Central America asserts that "the main objective of the Canadian aid programme should be to improve both the standard of living and the future prospects of the most impoverished people and the poorest countries."[180] While the uninitiated may deem such a goal to be self-evident in foreign assistance packages, in reality this does not appear to be the only motivation behind Canadian aid to Third World nations.

A central argument here is that Canadian commercial interests exert a major domestic force with respect to the design of Canadian assistance packages to developing countries. This point was hinted at above when we discussed the pro-business composition of Cabinet committees which formulate aid policy. "Departments responsible for Canadian trade and employment have always tended to approach aid expenditures as simply another channel of attractive financing for promotion of exports."[181] CIDA, however, maintains that it attempts to balance Canadian business interests with the developmental aspirations of the Third World.[182] But, as we shall see, the balance between Canadian business interests and those of the Third World tend to tip in favour of Canadian commerce when it comes to foreign aid.

A chief mechanism through which Canadian commercial interests are manifested in foreign assistance policy is through the 'tied aid' provision, whereby at least 80% of Canadian bilateral assistance must be tied to the purchase of Canadian goods and services. Canadian aid to Costa Rica and Nicaragua, for example, is composed of 100% tied aid.[183] When one looks over the sorts of bilateral programmes that tend to be implemented in the Third World in general, a pattern emerges in that many projects are in the areas of power, transportation and communication. Such projects are favourable to the interests of Canadian business because they are able to absorb significant amounts of Canadian goods and services.[184] A report by the Canadian-based North/South Institute, which studies the prospects for Canadian aid packages in the 1980s, reached the conclusion that

---

[180] 180. Canada, Canada's Relations with the Caribbean and Central America, op. cit., p. 22.

[181] 181. North South Institute, In the Canadian Interest? Third World Development in the 1980s (Ottawa: 1980). p. 55.

[182] 182. See, for example, CIDA, "Strategy for International Development Cooperation, 1975 - 1980," 1975, Hull.

> ...tying requirements and other factors tend to give the programme a supply-based thrust, its shape frequently dependent upon what Canadian suppliers have to sell.
>
> Substantial Canadian investments in electrical power generation, transportation and water supply, while they unquestionably can make a positive contribution to attacking these problems, seem very often to be of such a scale and sophistication that they may have limited benefits in meeting the basic needs of the poorest people for food, water and energy.[185]

---

[183] Interview, Bruno Hebert, op. cit.

[184] Peter Wyse, op. cit., p. 9.

[185] North/South Institute, 1980, op. cit., p. 10.

In addition to the sales directly generated to Canadian companies through official assistance programmes, Canadian business also profits from such projects in the sense that they introduce prospective Third World customers to Canadian products and services.

A rather negative impact of tied aid policies is that Canadian products and services channeled through such programmes tend to cost the Third World recipients 20% to 25% more than they are generally available for on the world market.[186] A former director of the Canadian Council for International Cooperation believes that while the Canadian Government's foreign assistance projects are "pretending to help...(they are) really sowing the seeds for the movement of inappropriate and uncompetitive goods which end up on forklift trucks left to rust on a dock."[187] Ideally, the Third world recipient country would be better off with a simple grant since it could choose the sort of projects it felt was most compatible with its developmental interests, and could also stretch its money farther by purchasing goods and services on the world market. Canadian aid policies, however, do not seem to be based upon entirely upon altruism, but instead reflect what the Government deems to be Canada's national interest. Tied aid policies represent one way that the Canadian Government can serve its domestic

---

186. Peter Wyse, op. cit., p. 8.

187. Globe and Mail, 1 March 1984.

constituency while at the same time attempting to assist the development of the Third World.

Canadian food aid, a separate component of bilateral assistance to developing countries, also appears to be determined by sectors of Canadian business.

> The Government of Canada's decision to treat food differently from other types of aid by establishing a separate budget for it meant that the share of food aid within the total aid programme was determined not by bilateral and multilateral aid planners as they assessed Third World needs, but by senior budgeters in CIDA and other Government departments, particularly agriculture.[188]

Hence, Canadian food aid may often reflect more closely the economic needs of Canadian farmers rather than those of the Third world recipient countries.

Canadian business interests are also credited with successfully pressuring the Canadian Government into taking full membership in the IADB. While Canada contributed to the Bank between 1964 - 1972, it never took full membership in the institution presumably due to the same reason it still refuses to join the OAS - the hegemony of the US in the organization. Joining the OAS, however, is not profitable for Canadian corporations.[189] The same is not true regarding the IADB. Canadian business groups lobbied

---

[188] Peter Wyse, op. cit., p. 12.

[189] If Canada had joined the OAS, it would have had to boycott trade with Cuba, a country with which Canada now enjoys profitable relations.

Chart XV
AGGREGATE CANADIAN AID TO CENTRAL AMERICA 1981-1986

(in thousands, $Cdn.)

AID	Costa Rica	El Salvador	Guatemala
Bilateral	21766 (26%)	7524 (9%)	4122 (5%)
MAF*	1642 (1%)	1376 (9%)	1713 (20%)
NGO*	879 (5%)	1696 (9%)	2450 (14%)
Indus.Coop.*	983 (13%)	1 (.1%)	494 (21%)
Insti.Coop.	1196 (22%)	5 (.1%)	339 (6%)
Food Aid	-	-	-
Total Direct	28465 (22%)	10901 (8%)	9517 (7%)

AID	Nicaragua	Honduras	Panama
Bilateral	18644 (21%)	31873 (38%)	-
MAF	1495 (18%)	1525 (18%)	680 (8%)
NGO	7377 (41%)	4776 (26%)	945 (5%)
Indus.Coop.	406 (18%)	356 (15%)	78 (3%)
Insti.Coop.	3183 (60%)	261 (5%)	374 (7%)
Food Aid	7316 (100%)	-	-
Total Direct	38422 (30%)	39292 (30%)	2677 (2%)

AID	Total Central America
Bilateral	83929
MAF	8431
NGO	18122
Indus.Coop.	2318
Insti.Coop.	5357
Food Aid	-
Total Direct	129572

Sources: CIDA, various bulletins, "Total Aid to Central America," 1981 through 1986.

---

*MAF=Mission Administered Funds; *NGO=Non-Governmental Organization Funds; *Indus.Coop.=Industrial Cooperation Funds; Insti.Coop.=Institutional Cooperation Funds.

the Government through the Canadian Export Association and through the Department of Industry Trade and Commerce (now DRIE), since joining the Bank would allow Canadian firms to compete for lucrative contracts offered by the Bank for projects in Latin America. Canada joined the Bank in 1972, when CIDA defended the move by asserting that it is "helping Canadian suppliers to become more familiar with Latin American markets and increasing the interest of Latin American buyers in Canadian goods and services."[190]

Another business-related motive behind Canadian foreign assistance is that aid may reduce the risk of expropriation of Canadian investments, especially in socialist countries of the Third World.[191] Canadian assistance to Nicaragua, however, did not prevent the Sandinistas from nationalizing Canadian gold mines there.

In 1985 CIDA embarked on a new phase designed to reflect an even greater element of trade promotion in Canadian foreign assistance packages. CIDA President Margaret Catley-Carlson foreshadowed this development when she commended the benefits of CIDA's Industrial Cooperation Programme (many of which exist in Central America, as noted earlier), which

> ...responds to the initiatives of Canadian companies. Since its inception, it has enabled close to 1,500 companies in all parts of

---

[190] Latin American Working Group, 1981, op. cit., p. 35.

[191] Peter Wyse, op. cit., p. 17.

> Canada to gain access to new markets and opportunities in some 90 countries in the developing world.
>
> It is the story of enterprise of the sort that has built our country.[192]

One component of the new approach, a hallmark of the Mulroney Administration, is a Trade and Development Facility (TDF). The TDF will provide $550 million by 1990 to a special fund to assist Canadian exporters in finding new contracts in the Third World.

Responding to the criticism that the fund is simply another device to dump uncompetitive goods on the Third World market, CIDA's Minister, Monique Vezina, responded that "use of the fund to subsidize uncompetitive products and services is ruled out because it would be damaging to our Third World partners."[193] Vezina's defence of the programme did not satisfy Canada's North/South Institute, which views the TDF as a system of "inefficient and unnecessary subsidies in a field where the Canadian Government is already one of the most interventionist in the industrialized world, both in the share of Third World exports it finances through the public sector and in its tying of Canadian aid to national suppliers."[194] The project is expected to absorb half of the increase in funding of Canada's Official Developmental Assistance,[195] and "over the six year period 1984-1990, nearly $2.5 billion in aid funds have been cut or diverted, from programmes benefitting the poorest, to programmes whose primary objective is the provision of export subsidies for Canadian firms."[196]

---

[192] CIDA, "Canadian Business and the Third World," 1985, Hull, p. 3.

[193] Globe and Mail, 8 October 1985.

[194] Ibid.

Further, the increase in funding for the TDF seems likely to come at the expense of funding for NGOs, which tend to administer grass-roots development projects predominantly aimed at helping the Third World's poorest, rural populations. It is reported that staff at CIDA which handle NGO affairs has not increased in number in the 1980-1985 period, and it is predicted that person-years will be lost during the next five years.[197] Thus, the new trade promotion orientation of CIDA may have a detrimental impact on sectors of Canadian assistance plans which are most inclined to assist the Third World's poorest population.

Perhaps one of the reasons behind the new CIDA approach for greater trade promotion is that the former system simply did not generate the commercial activity that the Government or business groups hoped that it would. Even those critical of CIDA's trade promotion tactics agree that if the aim of

---

195. Latin American Working Group, 1986, op. cit., p. 3.

196. Liisa North, ed., 1986, op. cit., p. 15.

197. Latin American Working Group, op. cit., 1986, p. 21.

CIDA was to promote greater markets for Canadian goods and services, the effort failed.

> It has been suggested that foreign assistance leads to economic development in the underdeveloped countries and hence to new markets for our exports.
>
> However, if the same capital were invested in Canada, where it would be more productive, the markets created would be larger.
>
> ...I conclude that Canadian foreign assistance does not seem, in the main, to serve them as well as alternative uses of the same funds might.[198]

Perhaps CIDA's new approach will be more conducive to the agency's attempts to generate opportunities in the Third World for Canadian business.

Another domestic factor which may play a role in the design of Canadian assistance policies to developing countries includes the State's effort to pander somewhat to nationalist forces within Canada. Meyer Brownstone, Director of OXFAM Canada, has suggested that Canadian aid to Nicaragua may be a product of Ottawa's attempt to demonstrate to Canadian nationalists that Canada indeed exhibits an independent foreign policy.[199] In addition to Canadian bilateral aid to Nicaragua, another example of Canada's 'independent' foreign policy is the Government's position against the US veto for IADB loans to Nicaragua. Ottawa's fear when it joined the IADB in 1972 that full membership would entangle it in disputes between the US and Latin countries seems to have come true in this case.

---

[198] S.G. Triantis, "Canada's Interest in Foreign Aid," World Politics, vol. 24, #1, October (1971), pp. 8 - 9.

[199] Interview, Meyer Brownstone, op. cit.

The 'independence imperative', as some Canadian counter-consensus interest groups have deemed it,[200] may become increasingly important to the Mulroney Administration as his Government moves to encourage elevated levels of American investment in Canada in tandem with higher levels of Canadian/American trade. That is, policies such as Canadian aid to Nicaragua may help Mulroney to persuade the Canadian public that Canada still maintains a sovereign foreign policy even in the face of anti-free trade arguments that he is selling the Canadian economy to the US. Further, since humanitarian interest groups have also called upon the Canadian Government to aid Nicaragua's socialist experiment, Canadian assistance to that country may offer a sense of political efficacy to these counter-consensus groups.

Aid may also be employed as a tool for the Canadian Government to win influence in Third World regions, as Wyse observes.

> Canada's desire for influence was weaker in Africa and Asia than in the Caribbean and Central America.
>
> As a result, CIDA's bilateral aid recipients in the Caribbean and

---

[200] Latin American Working Group, 1986, op. cit., and the Taskforce on the Churches and Corporate Responsibility, Annual Report, 1984/85 (Toronto:1986), pp. 75-76.

> Central America received $1.44 per capita in 1978-79 while bilateral aid recipients in Asia and Africa, both poorer regions, received $.20 and $.60 respectively.[201]

Some analysts have also speculated that Canadian aid packages may assist the Government's quest to bolster Canada's rank in the international political economy, and that foreign aid may serve as a tool to influence Third World states.[202]

If Canadian assistance is aimed at influencing developing nations, this influence should be placed within the context of the Great Contest between socialist and capitalist forces within the Third World. Hence, we cross the blurry line separating domestic from international determinants of aid policy. The Canadian Government has taken the position that the political conflagration in Central America is a product of socio-economic problems in the region. Thus, by providing aid to the capitalist regimes there,[203] particularly as polarization has increased in the 1980s, Canada may be attempting to stem the tide of inequality which may result in socialist revolutions and the American military intervention which follows them, as the Nicaraguan case has demonstrated.

---

[201] Peter Wyse, op. cit., p. 18.

[202] North South Institute, 1980, op. cit., p. 56.

[203] We have seen that not all Canadian aid to the Third World goes to the regimes themselves, but instead is distributed to NGOs, etc.

Attempts at influence by the Canadian Government in Central America seem, in a sense, to exemplify a double standard. Although Canadian aid has been linked to the issue of human rights in Central America, there have been no statements by Government officials that Canadian aid should be employed to alter the political orientation or alignment of American satellite countries in the region. But the same is not true with respect to the Nicaraguan case. Canadian Government officials and other observers have suggested that Canadian aid be utilized to channel the Sandinistas into what they deem to be an acceptable political orientation. SSEA MacEachen in 1984 "...dangled Canadian assistance before the Sandinista Government as an inducement to meet what he termed to be the original goals of the revolution."[204] Similarly, the House of Commons report on Canada's policy towards Central America suggests that Ottawa's aid package "offers a means to give effect to Canada's concern for pluralism in Nicaraguan society and non-alignment in that country's foreign policy."[205] Certainly, the Canadian report exhibited less concern with pluralism in other Central American countries. It suggests that aid be utilized to influence the 'non-alignment' of Nicaragua, which may be another term for a 'non-Soviet alignment'. Thus, the report seems to imply that Canadian aid be utilized to prevent Central American states from tilting toward the Soviet sphere of influence.

---

[204] Cecilio Morales, Jr., "A Canadian Role in Central America," International Perspectives, January/February, 1985, p. 12.

[205] Canada, Canada's Relations with the Caribbean and Central America, op. cit., p. 23.

I have already pointed to the compatibility of Canadian assistance packages to El Salvador, Honduras and Costa Rica with American imperial interests. Some viewed the renewal of Canadian aid to El Salvador by the Mulroney Administration as a counterbalance to Washington's apparent displeasure with respect to Canadian aid to Nicaragua.[206]

A senior political officer at the Canadian Embassy in Mexico City observed that "we have to indentify (aid) programmes that are squeaky clean, one of which was the shipment of cattle to Nicaragua. We try to identify a variety of projects that don't end up as mutations. We may want to build a highway, but we don't want that highway to be used in a military operations"[207] (presumably an allusion to the road Canada helped build in Honduras which is now being used by the Contras). As we noted regarding the list of projects Canada implements in Central America, Canada indeed goes out of its way most of the time to be free of any guilt of being linked directly to US strategic/military operations in the region. However, considering the overwhelming US military, economic and political presence on

---

206. Interview, John Foster, Director, Interchurch Committee on Human Rights, Toronto, 5 June 1985; and Latin American Working Group, 1986, op. cit., p. 29.

207. Interview, R. Clark, Counsellor, Senior Political Officer, Canadian Embassy, Mexico City, 27 June 1984.

the isthmus, it seems virtually impossible for Canadian aid to avoid contributing indirectly to Washington's imperial motives in American client states in the region.

***

Our examination of Canadian aid to Central America leads us to a number of conclusions. First, Cranford Pratt's dominant class theory is helpful when considering the domestic determinants of Canadian aid to Central America. That is, we have seen that the interests of Canada's business class are emphasized in Canada's assistance packages - an influence facilitated by the policy making process in Cabinet. Further, under the Mulroney Administration, CIDA is adopting platforms which are oriented even more toward promotion of Canadian products and services, thereby diminishing the voice of the Third World and its necessities in the aid formulation process.

Canadian humanitarian interest groups, or counter-consensus groups, also seem to wield an influence upon aid policy, though they are generally not as potent as their commercial counterparts in this regard. These humanitarian groups have lobbied for Canadian aid to Nicaragua, but there presumably are other factors which contributed to Canada's decision to provide assistance to that country, as we saw above. Canadian counter-consensus groups have been unsuccessful in attempts to convince the Government to elevate Nicaragua from a 'category two' country to the 'core country' status enjoyed by Honduras. Moreover, these groups are not pleased with Canadian aid to Honduras, or by the Government's decision to reinstate aid to El Salvador. This, too, is consistent with dominant class theory, which predicts that the interests of the counter-consensus have a limited impact upon Government policy.

Another domestic determinant of Canadian assistance to Central America may be the State's occasional need to demonstate to the public that Canada has an 'independent' foreign policy - especially in the context of recent free trade debates where fears are expressed that increased economic dependence upon the United States may erode Canadian sovereignty in general. Thus, Canadian aid to Nicaragua produces a triad of benefits to the Government, since it: 1) placates counter-consensus groups which support such aid; 2) serves the interest of Canadian business to the extent that aid policies are tied to Canadian goods and services; and 3) demonstrates to the Canadian public that Canada has an 'independent' foreign policy.

The single most important international determinant of Canadian aid to Central America would appear to be American imperial interests as manifested in the Great Contest between capitalism and socialism in the Third World. While it is true that Canada provides aid to Nicaragua at the same time the United States is engaged in a war with that country, it is also true that Canada supplies even more aid to Honduras and Costa Rica which serve as launching points for the American-directed Contra invasions of Nicaragua.

Further, Canada's reinstatement of aid to El Salvador appears quite complementary to the US-assisted scheme in that country to bombard Salvadorean peasants into submission of loyalty to the right-wing Government there. Thus, Canadian aid policies in Central America are congruent to some degree with US imperial interests.

In sum, we have seen that Canadian developmental assistance to Central America is characterized by three outstanding contradictions. First, Canada is providing aid to countries which are at war with each other and which are embroiled in the Great Contest between capitalism and socialism. Second, while Canadian aid policies are ostensibly designed primarily to assist the Third World's poverty-stricken population, these policies seem to exhibt a strong concern for the motives of Canadian corporations and for American imperial interests. Finally, although the Canadian Government decries human rights abuses in Central America, it supplies aid which indirectly assists the Salvadorean Government to perpetuate such abuses.

CHAPTER FIVE:

CANADIAN POLITICO-DIPLOMATIC RELATIONS WITH CENTRAL AMERICA

Canadian foreign policy towards Central America is fraught with contradictions. This is hardly surprising, given the diverse interests the Government must contend with when formulating policy towards the region. On the one hand, Ottawa must contend with domestic concerns which are not always in harmony with one another. On the other hand, the Canadian Government must consider the strategic interests and ideological views of the United States in a region deemed to be 'America's backyard'. Indeed, when policy makers at the Department of External Affairs (DEA) sit down to formulate policy towards Central America, they consult two groups of their own experts - one group which specializes in Canada's bilateral relations with Central American states, and another group whose expertise is US strategic interests in the hemisphere.[1]

This chapter consists of two parts. Part One addresses Canadian diplomatic relations with Central America. Part Two focuses upon other aspects of Canada's political relations with the region. Included is a discussion of Ottawa's policy toward Central American refugees as well as an examination of official Canadian analyses of the turmoil which plagues the region. This is proceeded by an analysis of Canada's policy with regard to the electoral process on the isthmus, Ottawa's human rights policy toward the region, and Canada's role in international organizations which are attempting to defuse the crisis there.

---

[1] Interview, David Bickford, Department of External Affairs, Caribbean and Central American Bureau, Nicaraguan Desk, Ottawa, 29 May 1985.

PART ONE:
CANADIAN DIPLOMATIC RELATIONS WITH CENTRAL AMERICA

Almost forty years after Ottawa acquired the right to formulate its own foreign policy in 1931, Canada began to look beyond the prosperous landscape of the United States and to ponder the prospects of Canadian ties to other countries in the Americas. In 1968, the Trudeau Administration announced that is was finally time "to take greater account of the ties which bind...(Canada) to other nations of the hemisphere."[2] Another indication of the Trudeau Administration's willingness to foster a more intimate relationship with Latin countries included a segment in Foreign Policy for Canadians which argued that Canada should establish tighter relations with its hemispheric neighbours by working "with Latin American governments on international issues."[3] That document represented a massive foreign policy review, which included a separate section on Canada's relations with Latin America.

---

[2] J.C.M. Ogelsby, Gringos From the Far North (Toronto: Macmillan, 1976), p. 9.

Foreign Policy for Canadians is significant since it marked the first serious attempt by Canada to consider a deeper Canadian role in hemispheric relations. The pamphlet stressed that Canada should attempt to create greater economic ties with Latin America, since this "...would augment Canada's capacity to 'pay its way in the world'."[4] That is, the Trudeau Administration identified the Latin American region as one area where Canada could diversify trade and investment away from the US in the hopes of diminishing Canada's economic dependency, and perhaps its concomitant unswerving political allegiance, to the United States. Indeed, the review suggested that Canada and Latin American countries share a common legacy of dependency upon the US, and that it was time for both areas to break away from this pattern of subjugation.

This important foreign policy review established a primary commitment "to develop and strengthen...Canada's distinctive position in hemispheric relations, both of Canadian national interests and of Canada's relationship with Latin American countries individually and collectively."[5] Thus, Canada wished to reduce its economic dependence upon the US and at the same time wished to assert itself as a hemispheric power. Foreign Policy for

---

[3] J.C.M. Ogelsby, op. cit., p. 9.

[4] Canada, Foreign Policy for Canadians, (Ottawa: Queen's Printer, 1970, p. 6.

[5] J.C.M. Ogelsby, op. cit., pp. 295-296.

Canadians also proposed that Canada should avoid a stringent commitment to the US-defined security interests in the Western hemisphere. The booklet pointed out that "...Canadian and United States' views of hemispheric security issues do not always coincide."[6] This seems to be a clear allusion to Canada's favourable relations with Cuba in the face of the defeated US attempts to topple the Castro Government in the early 1960s, and the American political as well as economic ostracism of Cuba since then. Canada and Mexico were the only two governments in the hemisphere which refused to break ties with Cuba after the Revolution. Based upon the analysis contained in Foreign Policy for Canadians, Canada did not perceive the same threat to Western interests in the Cuban case as the US obviously did. The Cuban experience demonstrated for the Trudeau Administration that Canada did not share identical interests with the US in the contest between capitalism and socialism in the hemisphere.

Another goal expressed in Foreign Policy for Canadians was Canada's strong commitment to work toward hemispheric stability.[7] Stability in the Americas was deemed a necessary condition for Canada to bolster its economic relations with Latin states, and thus for Canada to assert itself as a hemispheric power with economic clout. This point converges with what is predicted by dominant class

---

6. Canada, op. cit., p. 6.

7. Canada, op. cit., p. 7.

theory, which affords quite a bit of significance to the state's quest to preserve stability internationally.

Canadian trade and diplomatic contact with much of Latin America increased noticeably in the 1970s from their previously low levels. The first time a Canadian Prime Minister officially visited Latin America was in 1976, when Pierre Trudeau toured a number of Latin states including Cuba. Central America in general was not a paramount interest for Canadian foreign policy makers throughout the 1970s, although the Ottawa slowly began to appreciate the economic significance of the region during this period, as we noted in the discussion of Canadian economic relations with Central America in Chapter Four. It was not until the aftermath of the Nicaraguan Revolution of 1979, and to a lesser extent the revolutionary tension in El Salvador which heightened in the late 1970s, that Canada began to pay significant political attention to Central America.

Commenting on when the Central American region became politically significant to Ottawa, Canada's Ambassador to the United States, Allan Gotlieb, observed that

> I would choose 1980 as the moment of a major change or shift in Canadian foreign policy, although no doubt the forces of change were at work at least a decade before.

> As a result of an important but not broadly heralded foreign policy review, we identified the Caribbean region, including Central America, as a key area of interest for Canada.[8]

Gotlieb probably chose 1980 as the year marking the watershed of Canadian policy to Central America since it was clear to Ottawa by this time that the Sandinistas represented a legitimate and popular government in Nicaragua. This was the year it became obvious to Canada that the economic and political orthodoxy of Central America was challenged. But even as late as 1981, SSEA Mark MacGuigan stated that "I am not aware that we have any serious obligation in that part of the world, in Central America, which is not an area of traditional Canadian interest."[9]

---

[8] Allan E. Gotlieb, "A Concluding Perspective," Canada, the United States, and Latin America, op. cit., p. 26.

[9] Quoted in, "From Acquiescence to Action," Canada-Caribbean-Central America Policy Alternatives, Toronto, 29 March 1984, p.18.

It was not until late 1982 or early 1983, when the Reagan Administration made it vividly clear that it would attempt to topple the Sandinistas, that Canada devoted particular attention to the isthmus. Central America's importance to Canada at that time, according to the director of the Caribbean and Central American Division of the DEA, was "directly linked to its capacity for destabilization."[10] Once again, as dominant class theory predicts, regional stability is defined as a paramount Canadian interest in Central America.

Hence, the salient question emerges: what would Canada stand to lose if Central America destabilized? First, it was noted in the last chapter that Canada possesses considerable economic interests in the countries and regions immediately surrounding Central America (e.g., Mexico, Venezuela, Colombia, Brazil and the Caribbean region). A major conflagration in Central America wields the potential to ignite civil wars in the debt-ridden and politically fragile countries near the isthmus,[11] thus jeopardizing Canadian commercial interests.

---

[10] Interview, Emile Martel, Director, Caribbean and Central American Relations Division, Department of External Affairs, Ottawa, 28 May 1985.

[11] This view was expressed by Ambassador Francis Filleul, interview, op. cit.

Perhaps more importantly, American entanglement in this sort of crisis "would distort the United States' political and economic relations with other parts of the world."[12] In other words, such a scenario might have the capacity to distract the United States from properly performing its hegemonic role in other parts of the globe, thus setting the stage for a world-wide crisis.[13] This aspect of Canada's concern with the US role in Central America is consistent with the international political economy approach to analyzing Canadian foreign policy, as outlined in Chapters One and Two. A primary component of that framework is an appreciation for Canada's position in an international system dominated by an American hegemon.

---

[12] Interview, Robert Miller, Director of Research for the Canadian House of Commons Standing Committee Report entitled Canada's Relations with the Caribbean and Central America (Hull: Canadian Government Publishing Centre, 1982), and Associate, Parliamentary Centre for Foreign Affairs and Foreign Trade, Ottawa, 31 May 1985.

[13] For a theoretical discussion of the role of a hegemon in the international system, see, for example, Robert O. Keohane, After Hegemony (Princeton: Princeton University Press, 1984); and John J. Kirton, "America's Hegemonic Decline and the Reagan Revival," in D.H. Flaherty and W.R. McKercher, eds., Southern Exposure: Canadian Perspectives on the United States (Toronto: MacGraw-Hill Ryerson Ltd., 1986), pp. 42-62.

A third factor behind the Canadian Government's increased attention to Central America in the early 1980s was pressure upon Ottawa from well-organized counter-consensus groups and the proliferation of Canadian NGOs operating on the isthmus.[14] The views of counter-consensus groups will be discussed later in relation to topics such as Central American refugees, Canada's role in Contadora, human rights abuses in the region, and Canada's military role in the isthmus.[15]

Canada's former Ambassador to Central America, Francis Filleul, pointed to an additional motive behind Canada's more active political presence in Central America in the 1980s.

> "If you are a responsible hemispheric power, which I guess we are, maybe we should really do something about it (instability in Central America).
>
> As well, the Governments in this area have repeatedly said to us: why don't you get more involved?[16]

---

[14] A brief list of these interest include Canada-Caribbean-Central America Policy Alternatives, Latin American Working Group, the Taskforce on Churches and Corporate Responsibility, the Canadian Labour Congress, and the Inter-Church Committee on Human Rignts in Latin America. Canadian NGOs operating in Central America were discussed in Chapter Four.

[15] Please see Chapter Four for a discussion of the positions of the counter consensus on Canadian economic relations with Central America.

[16] Interview, Ambassador Francis Filleul, op. cit.

Thus, Ambassador Filleul suggests that the Central American imbroglio coincided with Canada's apparently erratic desire to assert itself as a hemispheric power, and that Latin countries have invited Canada to adopt a higher profile in conflict management in the Americas. Canada's capacity to exert political influence in Central America, according to a respected policy analyst, is based upon: 1) Canada's non-imperialist past; 2) its history of good relations with nearby the Caribbean region; 3) its historical ties with Cuba in the face of U.S. opposition; and 4) Canada's economic dependency upon the U.S., a predicament Latin states may be able to relate to.[17]

In sum, Canada's political presence in Central America is a relatively recent phenomenon, and was preceeded by Canadian economic interests there.

CANADA AND NICARAGUA

Since Nicaragua is at the centre of the current imbroglio in Central America, let us review Canada's diplomatic relations with that country prior to a consideration of Canada's relations with other Central American states. The Sandinista National Liberation Front became the official Government of Nicaragua on July 19, 1979. In the weeks immediately prior to the Sandinista victory, however, the newly-elected Progressive Conservative Goverment of Joe Clark backed a US proposal to the

---

[17] Interview, Timothy Draimin, Executive Secretary, Canada-Caribbean-Central America Policy Alternatives, and editor, Central America Update, Toronto, 5 June 1985.

Organization of American States for a "peace keeping force, made up mostly of US troops, to be despatched to Nicaragua to prevent the Sandinstas from taking power. The proposal died when no other country supported it."[18] Clearly, the Clark Government sided with the Carter Administration's attempt to prevent the establishment of a socialist regime on the isthmus. This point is crucial when viewing Canada's relations with Sandinista Nicaragua.

On July 23, 1979 - just a few days after the Sandinistas came to power - the United States officially recognized the new government in Managua. A day after that, perhaps following the American lead, Canada extended diplomatic recognition to the Sandinistas. At this time Canada's embassy in Costa Rica, which also served Nicaragua, had been without an ambassador for about a year.[19] A new ambassador was installed shortly after the Nicaraguan Revolution. The Sandinistas' victory ushered in another test of Canada's tolerance for ideological diversity in the hemisphere.

Canada'a new Ambassador to Nicaragua at the time, R. Douglas Sirrs, appeared less than enthused with Nicaragua's socialist experiment. In an interview with a Costa Rican newspaper in 1980 (shortly after the Liberals returned to power in Ottawa), Sirrs complained that the Sandinistas seemed to be moving "too far" to the left, and also indicated his dismay with the "Marxist orientation of the literacy campaign, the exodus of the vice president of the State Council, (and) the overwhelming number of Sandinistas on the State Council..."[20] Sirrs himself, however, became the target of criticism by some Canadians concerned with Central American affairs. Progressive Conservative M.P. Flora MacDonald deemed Sirrs to be "uninformed as well as unsympathetic to aspects of development in Nicaragua which are positive," while New Democratic Party M.P. Robert Ogle viewed Sirrs' analysis of Nicaragua as "very similar to the American line."[21]

---

[18] Peter Prongos, "Canada and the Sandinistas," Connexions, September, 1986. See also Walter Lafeber's discussion of the US attempt to promote an OAS peacekeeping force in Nicaragua just prior to the Sandinista victory, Inevitable Revolutions (New York: Norton, 1983), pp. 234-235.

[19] Timothy Draimin, "Canada and Revolutionary Nicaragua," Toronto, Canada-Caribbean-Central America Policy Alternatives, 1986, p. 1.

Sirrs' apparent intolerance of ideological diversity in the hemisphere differed markedly from views expressed by Pierre Elliot Trudeau. In a speech to the Commonwealth Western Hemisphere in St. Lucia in 1983, Trudeau stated that

> In our view states have the right to follow whatever ideological path their peoples decide.
>
> When a country chooses a socialist or even a Marxist path, it does not necessarily buy a package which

---

[20] The San Jose News, 23 May 1980.

[21] Timothy Draimin, "Canada and Central America: Whither Canadian Foreign Policy?" Toronto, Canada-Caribbean- Central America Policy Alternatives, August, 1983, p.10.

> automatically injects it into the Soviet orbit.
>
> The internal systems adopted by countries of Latin America and the Caribbean, whatever these systems may be, do not in themselves pose a security threat to this hemisphere.
>
> It is only when countries adopt systems which deliberately inject East-West rivalry or seek to destabilize their neighbours that a threat is posed...[22]

A similar view was expressed by Brian Mulroney in 1984 when, as Leader of the Opposition, he stated that "I believe it is important that the political, economic, and social autonomy of all Central American countries be respected as their governments negotiate resolutions to civil and regional disputes."[23] So while Prime Ministers Trudeau and Mulroney seem to concur regarding the issue of tolerance of ideological diversity in the Americas, Ambassador Sirrs seemed to adopt a more critical view of socialist experiments in the Western Hemisphere. I shall argue later that this diversity of opinion among Canadian officials (under the same Government) regarding Central America may be responsible in part for the seemingly contradictory aspects of Canadian policy toward the region.

As well, it should be noted that the Trudeau Government seemed to demonstrate a greater tolerance for socialism in

---

22. Quote from remarks made by Prime Minister Trudeau at the Heads of Government Meeting of the Commonwealth Caribbean and Canada, St. Lucia, 20 February 1983.

23. Quote from letter by Brian Mulroney, Leader of the Opposition, 6 April 1984.

the Americas compared to the short-lived reign of the Progressive Conservatives from May 1979 to February 1980, during which time the Clark Government backed a US attempt at the OAS to prevent the socialist Sandinistas from taking power in Nicaragua.

As American intervention in Nicaragua heightened in 1983 through the US-directed Contra forces, Nicaragua began to appeal to Canada to utilize its influence in an effort to mellow Washington's escalating belligerence. Nicaragua's Minister for External Relations, Miguel D'Escoto, arrived in Canada early in 1983 on a campaign to expose the nature of American adventurism in his country, and therefore to evoke criticism of Washington's policy in Central America by Canadian politicians and interest groups.[24]

D'Escoto's mission was tarnished to some extent, however, when a couple of months after his visit to Canada a Nicaraguan diplomat was arrested and charged in Ottawa with cocaine trafficking and possession of an unregistered handgun. The Nicaraguan Government successfully attempted to persuade Ottawa to grant diplomatic immunity to Roldofo Palacios, first secretary of Nicaragua's embassy in Ottawa.[25] Despite this, the event represented a public relations setback for Nicaragua since it fed into the hands of Washington's propaganda package which asserted that the

---

[24] Barricada, (Nicaragua) 16 February 1983.

[25] See for example, the Globe and Mail, 19 October 1983; The Toronto Star, 29 July 1983 and 30 July 1983.

Sandinista regime was heavily involved in drug trafficking in an effort to support the Revolution.

Also in 1983, Secretary of State for External Affairs Allan MacEachen voiced a concern regarding the Canadian Government's perception of the direction of the Nicaraguan Revolution. In a speech at the University of Ottawa, MacEachen stated that

> ...We are dismayed by the increasing tendency toward authoritarianism (in Nicaragua).
>
> ...Departures from professed non-alignment, and support for insurgencies in neighbouring countries only adds to the risks of violence and impedes progress toward peaceful change.
>
> For Canada, no ideology justifies the export of violence. It is clear that the interests of Canada are more closely linked with those of the hemisphere than ever before.[26]

Hence, MacEachen's position seemed to be moving closer to that of Washington's. We shall see later that many of the views expressed above by the Canadian Secretary of State in 1983 converge with the positions contained in the Kissinger Commission Report which was released in that year.

In October of 1983, a few months after MacEachen's speech, the United States invaded Grenada. Stephen Clarkson observes that

---

[26] Quote from Speech by Hon. Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, University of Ottawa, 3 June 1983.

> ...Canada's angry reaction to the invasion of Grenada by U.S. forces in October 1983 indicated with dramatic clarity that, within the bounds of diplomatic niceties, Canada was not afraid to speak straight at the risk of displeasing Washington.
>
> Also, the Reagan team's refusal to consult either the British or the Canadian government before launching its invasion of this Commonwealth country showed that the alliance leader was willing to act without regard for the concerns of its partners.[27]

Thus, it appears that the Grenada episode led Canada to question once again the Reagan Administration's policy in the Caribbean Basin, a policy which would increasingly exhibit a unilateralist tone.

MacEachen's position on Nicaragua seemed to soften a bit, compared to the views he expressed in 1983, following a fact-finding trip he made to Central America in 1984. In spring of that year he became the first Canadian cabinet minister to visit Nicaragua. In April of 1984 MacEachen voiced tacit support for U.S. Presidential candidate Gary Hart's proposal to withdraw US troops from Central America.[28] A few days later, at a press conference in Honduras, MacEachen criticized the American mining of

---

[27] Stephen Clarkson, Canada and the Reagan Challenge (Toronto: Lorimer, 1985), p. 350.

[28] Quote from remarks made by SSEA Allen J. MacEachen at a press conference in San Jose, Costa Rica, 3 April 1984. Text made available by the Canadian Department of External Affairs.

Nicaraguan ports. A Canadian ship narrowly escaped damage in that incident. MacEachen said "we oppose it, of course. We don't like what has happened. We think it is a violation of international law."[29]

MacEachen's visit to Central America may have contributed to rendering him more sympathetic to the trials and tribulations of the Nicaraguan Revolution. Upon his arrival in Canada, MacEachen indicated that the Canadian Government had expressed to Washington its views of the situation in Nicaragua which differed from official American analyses.[30] MacEachen also stated that "...I think that a state of emergency exists (in Nicaragua) and that is the justification for press censorship."[31] Thus, a warming of the MacEachen's attitude toward Nicaragua occurred in 1984.

Also during this period, the New Democratic Party and Canadian counter-consensus groups concerned with Central America affairs called upon Ottawa to open an embassy in Managua. Doubts concerning the ability of Canada's embassy in Costa Rica to monitor events in four Central American countries including Nicaragua were cited as a major motivation behind the proposed embassy. The NDP argued that the situation put Canada in the position of having to rely upon the US Embassy in Managua for much of its information, thus compromising Canada's ability to formulate an independent foreign policy. Ottawa indicated that it would consider the proposal, but it was not until almost two years later, in December 1985, that the Canadian Government announced it had no intention of constructing an embassy in Nicaragua due to "budgetary restraints."[32] Further, the Department of External Affairs cited fiscal restraints when it announced in December, 1986 the closure of its embassy in Guatemala, which also served Honduras. This leaves the Canadian Embassy in Costa Rica to monitor all of Central America, a post which some observers claim is already "taxed to its limits."[33]

---

[29] Quote from remarks made by SSEA Allan J. MacEachen at a press conference in Tegucigalpa, Honduras, 12 April 1984. Text made available by the Canadian Department of External Affairs.

[30] CBC Radio, "Morningside," 16 April 1984.

[31] CBC Radio, "As it Happens," 13 April 1984.

***

Francis Filleul followed Douglas Sirrs as Canada's Ambassador to Costa Rica, Nicaragua, El Salvador and Panama. During an interview with Filleul in the summer of 1984, he demonstrated the continuity of his official analysis of Nicaragua with that of his predecessor. Filleul, for example, was highly critical of the Cuban presence in Nicaragua.

> "Nicaragua has been penetrated so badly by Cuba and other (Eastern Bloc) countries that it is destabilizing.

---

[32] Canada, Department of External Affairs, Bulletin, "Canada and Central America," 6 December 1985.

[33] Canada-Caribbean-Central America Policy Alternatives, "External Affairs Cutbacks," December, 1986, p. 2.

> It was not that the people of Nicaragua ...chose to welcome the Russians and the Cubans. It was that the FSLN had gained control of the Revolutionary movement and that was their policy."[34]

Hence, Filleul suggested that the FSLN did not actually represent the will of the majority of the population in Nicaragua, and therefore that the FSLN required the assistance of the Cuban and Soviets to dominate the revolutionary process.

In congruence with the position adopted by the Reagan Administration, Filleul also asserted that the Sandinistas were providing military assistance to revolutionary forces in El Salvador.

> The FSLN has as much as admitted that they are supporting them (the FMLN in El Salavdor).
>
> ...I have talked to the Americans about this business of verification and they have said that the arms shipments tend to be very, very small and difficult to pin down - through mules and trucks, and they fly in small planes at night.[35]

The Canadian view that Nicaragua has been intervening in the civil wars of other Central American countries persisted through 1986. A Canadian representative at the United Nations General Assembly, Charles Svoboda, criticized Nicaragua in 1986 for "intervening in the internal affairs of other states in the region."[36] A similar view was expressed by Canada's ambassador to the UN, Stephen Lewis.[37] It is important to note, however, the absence of any solid evidence of Nicaraguan assistance to the left in El Salvador or to other Central American countries.

---

[34] Interview, Ambassador Francis Filleul, Canadian Embassy in San Jose, Costa Rica, 30 July 1984.

[35] Ibid.

Filleul also expressed criticism of policies adopted by the Sandinistas in the realm of economic development. "It is just pathetic to see what five years of this regime has done for the country. Instead of helping the people to develop, it has resulted in subdevelopment."[38] Further, the Ambassador conveyed discontent with regard to what he saw as the Sandinistas' unwillingness to fullfil the original goals of the Revolution. "When the Sandinistas first took power, they established certain principles: non-alignment, a healthy private sector, and a pluralistic system. None of those conditions have been fulfilled."[39]

Despite Filleul's criticisms of the Sandinistas, the Ambassador also found fault with the United States regarding its policies in Nicaragua and elsewhere in Central America. "We criticized the US mining of the ports (in Nicaragua). We did not think that was a good idea. The Americans did not like the criticism much, but who would like

---

36. Globe and Mail, 4 November 1986.

37. Ottawa Citizen, 5 November 1986.

38. Interview, Ambassador Francis Filleul, op. cit.

39. Ibid.

criticism?"[40] Filleul also viewed with disfavour the US-supported Contra attacks against Nicaragua due to the potential it wields to ignite a regional war. He balanced this, however, by asserting that Nicaragua should withdraw its support for leftist forces in El Salvador.

Filleul, who opted to remain at his post for an additional year after his three-year appointment reached completion in 1985, granted an interview to a Canadian newspaper in June, 1986. Once again, he indicated his disappointment with the Sandinistas.

> Observers from many countries and many backgrounds have said the Sandinista government's direction is Marxist-Leninist.
>
> This has not been denied by its leaders, who have on occasion supported that observation...Efforts have been made (by the Sandinistas) to help the poorest in Nicaragua, but there've been no such efforts towards political liberation.[41]

Thus, the Ambassador remains unconvinced that the Sandinistas have fullfilled the original goals of the revolution.

Canada's new ambassador to Nicaragua (as well as to El Salvador, Costa Rica and Panama), Stanley Gooch, has expressed views regarding Nicaragua which are consistent with those of his predecessor, Francis Filleul. Gooch, former Canadian Ambassador to Yugoslavia, criticized human rights "abuses" in Nicaragua resulting from the declared state of emergency in that country. He balanced this, however, by indicating that "The Canadian government has gone out of its way to express its disapproval of US policy in Central America,"[42] and has been especially critical of the US-supported Contra invasion of Nicaragua.[43]

---

[40] Ibid.

[41] Ottawa Citizen, 6 June 1986.

******

The Director of the Caribbean and Central American Division of the Department of External Affairs, Emile Martel, observed in 1985 that the ideology of regimes in Central America makes no difference to Canada[44] - a view similar to the one Prime Minister Trudeau had expressed in 1983. From this perspective, therefore, the socialist orientation of the Sandinista regime is acceptable to Ottawa, in sharp contrast to the Reagan Administration's apparent intolerance of the Sandinistas' ideology. While Martel indicated that Canada has "no official position" on the matter of whether or not the Sandinistas represent a strategic threat to Western interests in the hemisphere, he voiced his personal view that it is best that revolutionary tendencies be confined to Nicaragua rather than spreading throughout Central America. "I don't think they (the Sandinistas) are a threat," he said, "but there must be a framework for their containment."[45] Martel suggests that if the Sandinistas' socialist ideology were to spread to other countries of Central America, the United States would perceive such a situation to represent a threat to its vital interests. Under such conditions, a regional war might develop and perhaps further destabilize the Americas.

---

[42] Quoted in Tico Times (San Jose, Costa Rica), 5 December 1986.

[43] Quoted in Toronto Star, 28 July 1986.

[44] Interview, Emile Martel, Director, Caribbean and Central American Division, Department of External Affairs, Ottawa, 28 May 1985.

Pastor Valle-Garay, Consul General of Nicaragua in Toronto, is an outspoken commentator on such topics as Canada's relations with his country. During an interview in the summer of 1985, Valle-Garay indicated that Prime Minister Brian Mulroney's policy toward Managua was not much different from his predecessor's. "Generally, it has been a continuation of the Trudeau policy. Canada has made it very clear to Nicaragua that Central America is not a priority for Canada."[46] Clearly, Valle-Garay and other important Nicaraguan officials would prefer that Central America were more of a priority for Ottawa, and also hope that Canada would encourage the Reagan Administration to adopt a less belligerent stance against Nicaragua.

A similar view was expressed recently by FSLN Comandante and Nicaraguan Minister of the Interior Tomas Borge.

---

45. Ibid.

46. Ibid.

> We'd like it if Canada used its international prestige, its international political influence, its influence with the U.S. government, to assume a position of more aggressive support for a weak country attacked by a power like the U.S.
>
> I think the close relations between the U.S. and Canada, which are the result of geography and politics, have led Canada to adopt a very careful stance.
>
> I would say we have a certain level of understanding of this. It is not what we would like, but perhaps, due to the special situation of Canada, no other type of policy is possible.
>
> Ultimately, it depends on the characteristics of Canada's leaders. Some sectors may be more inclined to natural indignation over the aggression of a powerful country against a weak country.
>
> Others might put priority on relations with the U.S., although this means sacrificing a small country.[47]

Borge's analysis of Canadian-American relations is quite adept, though it is certainly something of an understatement to assert that Canada's relations with the United States appear more important to Ottawa than the fate of Nicaragua.

While Valle-Garay was careful to stop short of suggesting that Canadian policy toward Central America was determined by Washington, he indicated a frustration that was also voiced by Borge, namely what he considers to be Ottawa's tendency to commence its policy-formulating

---

47. Ottawa Citizen, 31 May 1986.

process by asking the question: "How will this affect our relations with the United States."[48] Indeed, Valle-Garay's perception of Canadian foreign policy-making vis-a-vis Central America appears to be correct. As was noted earlier, an official at the Nicaraguan Desk of the DEA's Caribbean and Central American Division indicated that when formulating policy towards Central America, the DEA consults both the American and the Central American desks of the Department.[49] The Consul General was also critical of what he implied was Ottawa's vulnerability to American influence in the case of Canada's decision to accept "Somoza's National Guard criminals" which were deported from the United States in the 1980s.[50]

Valle-Garay speculated that Canada probably would not support the United States in the event of an invasion of Nicaragua, which he deemed as "always possible" as long as the Reagan Administration is in power, since if Canada did so it would lose face on the international stage.[51] Valle-Garay speculated that an American invasion of his country is a distinct possibility, since revolutionary Nicaragua is viewed as a "model which threatens U.S. supremacy" in the hemisphere, and which represents one element which has helped to trigger an American hegemonic decline "which was long in coming."[52] He presumed that such an invasion would take the form of bombings from the air and sea, since this sort of attack would minimize the number of American lives lost in combat.

---

[48] Interview, Pastor Valle-Garay, op. cit.

[49] Interview, David Bickford, Nicaraguan Desk, Caribbean and Central American Division, Department of External Affairs, Ottawa, 29 May 1985.

[50] Interview, Pastor Valle-Garay, op. cit.

[51] Ibid.

Finally, it is also of interest to consider some recent views of Pierre Trudeau on the crisis in Nicaragua. During a conference in the US concerning democracy in Latin America, the former Prime Minister suggested that the Reagan Administration's criticism of the absence of democracy in Nicaragua is hypocritical: "How does breaking international law - which is how unilateral intervention might be interpreted - educate a country or a continent in the ways of democracy?"[53] He also noted that "I suspect the evidence is that, at this time, the White House wants to get rid of the Sandinistas at all costs."[54] Once again, Trudeau indicated his support for ideological diversity in the Americas: "Marxism might be a dirty word for us, but capitalism is a dirty word in some countries. They find that capitalism has not solved the problem of abject poverty."[55] These remarks are rather consistent with those the former Prime Minister made while he was in office, though the tone of his recent statements reflect somewhat less of a concern with diplomacy.

---

[52] Ibid.

[53] Quoted in Globe and Mail, 19 November 1986.

[54] Ibid.

[55] Ibid.

Canada's position on Nicaragua's elections and the topic of human rights in Nicaragua will be dealt with shortly. Now let us turn to a brief discussion of Canada's diplomatic relations with the other countries of Central America.

CANADA AND EL SALVADOR

While Nicaragua has been the centrepiece of the Great Contest between capitalism and socialism in Central America, El Salvador also has been the venue of a ferocious civil war between the left and right. Canada largely remained silent on the Salvadorean issue until the early 1980s. In Janauary, 1981 SSEA Mark MacGuigan met with members of El Salvador's leftist opposition groups, including Ana Guadelupe Martinez of the FMLN and Hector Oquelli of the social democratic National Revolutionary Movement (MNR). During the meeting, MacGuigan voiced Canada's support for the principles of non-intervention and self-determination.

But the sincerity of MacGuigan's remarks and gesture of goodwill toward opposition forces in El Salvador soon came into question. The Canadian Government has refrained from officially recognizing the FDR-FMLN as a legitimate representative political force. Moreover, in February of 1981, just one month after his meeting with Salvadorean leftist forces, the Canadian secretary of state outraged some Canadian observers of Central American affairs by announcing that Canada would quietly submit to plans of heightened American military intervention in the tiny isthmus country. After returning from a trip to Washington for talks with U.S. Secretary of State Alexander Haig, MacGuigan stated that "I would certainly not condemn any decision the United States takes to send offensive arms (to El Salvador)...The United States can at least count on our quiet acquiescence."[56] Since the time MacGuigan made that statement, which has received considerable media attention, the Canadian Government has been on the defensive to demonstrate that Canadian policy toward Central America is distinct from American policy, and that Canada actively attempts to alter some of Washington's positions on certain regional matters.

Also in 1981, New Democratic Party (NDP) leader Ed Broadbent made an extensive trip through North America to assist in fostering a negotiated settlement in the increasingly bitter civil war in El Salvador. Broadbent travelled to El Salvador, Nicaragua, Costa Rica, Mexico, Venezuela, Cuba and Washington in an effort to promote a peaceful resolution to the country's mounting troubles. His mission accomplished little tangible results. The NDP has a history of dissociating itself from the official policy of the Canadian Government toward Central America, a point to which we shall return.

---

[56] Globe and Mail, 5 February 1981.

While Mark MacGuigan on occasion seemed to adopt a position that was close to the US line with respect to the Salvadorean case, the man who proceeded him as Canadian Secretary of State expressed views which often seemed less compatible with Washington's. In spring of 1984, SSEA Allan MacEachen planned an official trip to Central America, a visit which included travel to Costa Rica, Honduras and Nicaragua. MacEachen had also arranged to meet with U.S. Secretary of State George Shultz in Washington immediately prior to beginning his excursion to Central America. Shultz submitted a written appeal to MacEachen before he left Canada for Washington requesting that MacEachen also include El Salvador on his agenda. MacEachen refused the request, and was grilled by reporters at a Washington news conference on the matter of why he chose to visit Marxist Nicaragua to visit President Daniel Ortega but refused to travel to US-backed El Salvador. MacEachen responded by stating that "my not going (to El Salvador) is not a political statement of any kind," and added that despite the ommission of El Salvador from the tour he was convinced that the mission would provide him with "a balanced perspective."[57] While MacEachen claimed that he simply was unable to fit El Salvador into his itinerary, it also remains distinctly possible that MacEachen and the Canadian Government were attempting to appeal to Canadian interest groups which took out at a full page add in the Globe and Mail prior to

---

[57] The Edmonton Journal, 3 April 1984.

MacEachen's departure urging him to criticize Washington's escalation of military tension in the region. A last-minute inclusion of El Salvador into MacEachen's tour might have provoked domestic Canadian criticism reminiscent of that which erupted in the wake of MacGuigan's "quiet acquiescence" remark.

Closely connected with Canada's diplomatic relations with El Salvador is the allegation of Sandinista support for leftist forces within El Salvador - a point that was touched upon earlier in our discussion of Nicaragua. It appears rather commonplace for Canadian officials to balance criticism of the American-backed Contra forces, which violate international law by invading Nicaragua, with claims of Sandinista covert assistance to the left in El Salvador. For example, Claude T. Charland, former assistant deputy minister of the Latin American and Caribbean division of the DEA, stated at a conference in the United States that

> Consistent with our opposition to third party intervention in Central America, we oppose continued military support for anti-Sandinista insurgents in the same way that we oppose the promotion of armed insurgency in El Salvador by outside powers.[58]

---

[58] Claude T. Charland, "A Canadian View of Latin America and the Caribbean," Canada, the United States, and Latin America - A Conference Report (Washington, D.C.: The Woodrow Wilson Center for Scholars, 1984), p. 15.

We will recall that a similar view was expressed by former ambassador Francis Filleul.[59] This contention has been countered, however, by a senior political officer at Canada's Embassy in Mexico City, who observed in an interview that there has been "no evidence" of Sandinista military assistance to El Salvador.[60] It is certainly correct that no such evidence has ever been presented to the public.

While the Salvadorean elections will be dealt with here in a separate section which offers a comparative view of Canada's role in the electoral process in Central America, it may be useful at this point to consider former ambassador Francis Filleul's estimation of the strength of the left in El Salvador. Filleul stated in an interview that

> The extreme left in El Salvador represents a smaller proportion of the population than the potential non-FSLN parties in Nicaragua.
>
> In El Salvador, the extreme left (FDR-FMLN) would never get more than 10% of the vote.[61]

This estimation is debatable, however. The left's ability to mobilize soldiers and to hold their own against US-backed Government forces suggests that the strength of the left in that country may be something more than 10 percent.

---

[59] Interview, Francis Filleul, op. cit.

[60] Interview, Robert Clark, Councillor, Senior Political Officer, Canadian Embassy, Mexico City, 27 June 1984.

[61] Interview, Francis Filleul, op. cit.

Finally with respect to El Salvador, Canadian Ambassador Stanley Gooch reiterated Canada's concern with human rights violations in the country, and noted that "we have been looking at what we can do to stop human rights abuses"[62] in El Salvador. As we saw in Chapter Four, Canadian counter-consensus groups have criticized the reinstatement of Canadian aid to El Salvador amidst the persistence of human rights violations there.

CANADA AND HONDURAS

Canada's diplomatic relations with Honduras, the Central American country which receives the largest amount of Canadian devlopmental assistance, tend to centre around Honduras' role as the Contras' landlord. Honduras' strategic geopolitical significance to the United States derives from the fact that the country borders with three strife-ridden Central America countries: Nicaragua, El Salvador and Guatemala.

When SSEA Allan MacEachen first visited Honduras in 1984, he told a news conference in Tegucigalpa that the only way to achieve peace in the region would be to demilitarize Central America and to eradicate foreign military bases and intervention on the isthmus.[63] Thus, MacEachen voiced Canada's distaste for the Contras in Honduras and the related American-led militarization of that country. But, typical in style to many Canadian statements on Central

---

62. Tico Times, 5 December 1986.

63. La Tribuna (Honduras), 14 April 1984.

America, MacEachen's reluctance to mention the names of the specific countries he was referring to may also be interpreted here as an indictment of the Cuban presence in Nicaragua. Just as some Canadian officials attempted to balance criticism of Contra attacks against Nicaragua by alleging that the Sandinistas were providing military assistance to El Salvador, Canadian officials tried to balance criticism of the American militarization of Honduras by pointing to the presence of Cuba and other East-bloc countries in Nicaragua. In this way, Canada could distance itself from US policy in Central America without pinning the blame for regional instability solely upon Washington.

During his visit to Honduras, MacEachen warned officials there that Canada would terminate its economic assistance to the country if it became clear that the aid was being used directly for support of Contra forces or for related military purposes.[64] This warning was made against the backdrop of Canadian funding in 1982 for what was initially deemed to be a forestry road in Honduras, but which turned out to be infrastructure for a major Contra military base at Fort Mocoron.[65]

Also while in Tegucigalpa, MacEachen called upon Honduran officials to increase their support for Contadora in order to avoid a rerun in Central America of the American invasion of Grenada in 1983.[66]

---

[64] Ibid.

[65] See Chapter Four for a discussion of this.

MacEachen criticized the mining of Nicaraguan ports by CIA-directed forces, which occurred just prior to his tour of Central America, by condemning the incident as "a violation of international law."[67] He also observed at a Honduran news conference that the absence of democracy in certain Central American countries have fostered the existence of guerrilla groups which want to achieve democratic objectives.[68] In the eyes of Honduran officials, this rather cryptic remark presumably would be taken to be a reference to the Contras, but could just as easily be a reference to the guerrillas in El Salvador and Guatemala.

Ambassador Filleul noted that

> One big difference between the United States and Canada is that the United States has decided to strengthen Honduras militarily and make it a bastion against leftist regimes in the area.
>
> Our position is that the best thing to do is to stop all weapons deliveries, to demilitarize everywhere in Central America.[69]

Filleul also acknowleged that "if you are looking at it from a purely military point of view, you might say that the

---

[66] La Tribuna (Honduras), 14 April 1984.

[67] Ibid.

[68] Ibid.

[69] Interview, Francis Filleul, op. cit.

Nicaraguans could feel somewhat threatened by the Hondurans if the Americans were involved."[70]

The First Secretary of the Honduran Embassy in Ottawa, Jose Reina, observed in an interview that

> We have no fear that warfare in Nicaragua, El Salvador or Guatemala will spread into Honduras.
>
> There is not as dramatic a difference in Honduras between rich and poor as elsewhere in Central America, due to agrarian reform and social security.[71]

Regardless of the socio-economic conditions in Honduras, a major potential cause of warfare in that country is the tension which may erupt there as Honduras converts into an American military base designed either to topple the Sandinistas or to sour the progress of the revolution. Another problem for Honduras is refugees. The Honduran official in Canada voiced concern with regard to the swelling numbers of refugees from El Salvador, Guatemala and Nicaragua which strain his country's limited resources.[72]

---

70. Ibid.

71. Interview, Jose Reina, First Secretary, Honduran Embassy, Ottawa, 29 May 1985.

72. Ibid.

Further, the Honduran official perceived no difference between the Trudeau and Mulroney Administrations regarding Canadian policy to his country. Reina offered particular praise for Prime Minister Trudeau, since "Canada has had more identification with Latin America since the Trudeau Government. Canada has realized that it is part of the continent since Trudeau."[73]

CANADA AND GUATEMALA

Canada's relations with Guatemala have tended to centre around two general issues: commercial opportunities and human rights. As we saw in Chapter Four, Guatemala historically has been considered by Canadians to possess the most potential among Central American countries for lucrative economic relations with Canada. Guatemala's abysmal human rights record also represents a major consideration among Canadian officials concerned with Central American affairs, as we observed in Chapter Four. For now, though, let us focus upon other aspects of Canada's diplomatic relations with Guatemala as well as upon the role of that country in the Great Contest between capitalism and socialism on the isthmus.

Canada's trade office in Guatemala was upgraded in 1982 to an embassy complete with a resident ambassador, whose duty also included taking care of Honduran affairs. Previously, the Canadian embassy in Mexico City handled this task. This move was the result of the commercial significance Ottawa attributed to Guatemala, as well Canada's need to install another embassy in the region besides the overloaded embassy in Costa Rica in order to monitor more effectively political events there. Also in 1982, Canada officially recognized the regime of General Rios Montt, who led one of the most brutal dictatorships in Guatemala's troubled history. Citing fiscal restraints, Ottawa in December 1986 eliminated the posts of ambassador and trade officer in Guatemala, and has left three officers there to manage political, immigration and aid issues.[74] The downgrading of the Guatemalan embassy may also be a product of the decreased commercial opportunties in the country in light of the turmoil which plagues the isthmus.[75]

---

[73] Ibid.

---

[74] Canada-Caribbean-Central America Policy Alternatives, "External Affairs Cutbacks," December 1986.

[75] Please see Chapter Four for a discussion of Canada's economic relations with Guatemala.

Guatemala's ambassador to Canada, Dr. F. Urruela, predicted during an interview that relations between Canada and his country would improve following the election of a civilian government there in the fall of 1985.[76] It remains unclear whether that Government, headed by President Cerezo, will represent a legitimate power base in the country against the backdrop of the traditional political predominance of the military sector in Guatemala. While the Reagan Administration heralded the election in Guatemala as an example of the wave of democratization sweeping Central American countries which are aligned with the U.S., policy analysts familiar with Central American affairs interpreted the election as a ploy to attract foreign assistance from Western countries which became disillusioned with Guatemala's brutal military regimes. Canadian officials are awaiting evidence of significant political change in the country before reinstating developmental assistance which was terminated in 1982 amid widespread human rights violations.[77] Canadian Ambassador to the UN, Stephen Lewis, observed in November 1986 that "The persistance of death squads and new cases of disappearances are cause for profound concern"[78] - thus demonstrating that

---

76. Interview, Dr. F. Urruela, Guatemalan Ambassador to Canada, Ottawa, 28 May 1985.

77. Please see Chapter Four for a discussion of Canada's termination of developmental assistance to Guatemala.

78. Department of External Affairs, "Excerpts from a Statement by Mr. Stephen Lewis, Ambassador and Permanent Representative of Canada to the 41st Session of the United Nations General Assembly on Item 12: Human Rights," 25 November 1986.

Canadian doubts persist regarding human rights abuses in Guatemala.

Ambassador Urruela suggested that Canada wields the potential to become a "strong alternative" to the United States in terms of promoting democracy in Central America, and added that "Canada should play a larger role in hemispheric affairs."[79] A greater Canadian role in the region would be welcomed, he said, since Central American countries possess a desire to escape from the shadow of dependency upon the United States. Despite this, there is no question regarding Guatemala's solid allegiance to Washington in its global contest with Moscow. Dr. Urruela also mentioned, however, that Canada's capacity to assume a position of greater significance in the hemisphere is limited by Canada's economic dependence upon, and political subservience to, the United States. Urruela, who possesses degrees in political science from elite American universities, compared Canada's relationship with the United States to a submissive man married to a rich woman.[80]

---

[79] Interview, Dr. F. Urruela, op. cit.

[80] Ibid.

The Guatemalan Ambassador was able to see a positive side to the Sandinista Revolution in Nicaragua. Urruela observed that the revolution there was a good thing in the sense that it brought global attention to Central America, and that it prompted the United States to re-evaluate its policy of supporting right-wing dictatorships in the region.[81]

Dr. Urruela criticized the Sandinistas, however, for becoming "too radical," which he perceives has resulted in the erosion of moderate support for them in Nicaragua and elsewhere in Latin America.[82] But he also acknowledged that the Reagan Administration is bound for defeat in its attempts to overthrow the Sandinistas, since they still enjoy popular support.[83] During a speech at the University of Ottawa in the winter of 1985, the ambassador provided his assessment of revolutionary groups in his country and elsewhere in Central America.

> A radical process is already being attempted in Nicaragua and is undoubtably one of the alternatives that El Salvador and Guatemala are confronted with.
>
> It is a legitimate alternative, in the sense that it has the support of a segment of the population in those two countries.

---

[81] Ibid.

[82] Ibid.

[83] Ibid.

> Whether it is a large or a small segment is a matter of debate. It is significant enough to make revolutionary movements legitmate.
>
> ...For revolutionary movements to win a revolutionary war in Central America there needs to be a coincidence of favourable internal and external conditions.
>
> ...The role of external factors is crucial because the Central American countries are very small and very weak, and are located close to a very large and powerful country.
>
> ...Central American revolutionary movements have been plagued with intellectual poverty. In that sense, I think revolutionary change is a mediocre alternative.
>
> The rigid dogmatism that has characterized the leadership of revolutionary movements in Central America has caused unnecessary suffering and destruction, destruction of infrastructure which is crucial to the Central American countries' development.
>
> ...To push forward an alternative that is not viable is very irresponsible.[84]

---

[84] Excerpts from a speech by Guatemalan Ambassador to Canada Dr. F. Urruela, University of Ottawa, 26 February 1985.

Let us consider some of the points Dr. Urruela makes above. First, it is noteworthy that the ambassador recognizes the legitimacy of leftist revolutionaries in both his country and in El Salvador, since a logical extension of this is that these groups should be incorporated into the electoral process. Despite this recognition, however, government-sponsored death squads in both those countries regularly execute citizens which they suspect are sympathetic to socialist ideology.

Dr. Urruela's point regarding the necessity of favourable external conditions for a revolution to flourish seems reasonable. Certainly the failure of the Nicaraguan revolution to flourish can be blamed in large measure on the Reagan Administration, which vigourously has attempted to sour the accomplishments and goals of the Sandinistas.

CANADA AND COSTA RICA

Canada's relations with Costa Rica are dominated by economic concerns, as we saw in Chapter Four. Due to that country's historical pattern of development which is distinct from the other four states of Central America,[85] Costa Rica has not been plagued by the degree of civil strife prevalent, for example, in El Salvador, Guatemala and Nicaragua. Hence, matters such as violations of human rights, the legitimacy of national elections, and socialist insurgency have not been at the forefront of Canada's diplomatic relations with Costa Rica as they have with other countries on the isthmus.

---

[85] For a discussion of the history of Central America, and Costa Rica's distinct position within it, consult Murdo J. MacLeod, Spanish Central America (University of California Press, 1973); and Ralph Lee Woodward, Jr., Central America (New York: Oxford University Press, 1976).

Costa Rica's Ambassador to Canada, Mario Pacheco, discussed some of the differences he perceives between American and Canadian policy to Central America. He noted that Canada is "more peace seeking" and more committed to utilizing international organizations as a forum to solve regional problems than the United States appears to be.[86] Related to this, he suggested that Canada should join the Organization for American States (OAS) in order to exert more political influence in the hemisphere.[87] He added that if Canada joined the OAS it would "no doubt get into problems" attempting to balance the interests of the United States against Latin countries, "but that's how you solve problems. Canada is part of the American continent. Problems from the south will get closer to Canada year by year. Canada should offer some preventitive medicine now."[88]

---

[86] Interview, Mario Pacheco, Costa Rican Ambassador to Canada, Ottawa, 31 May 1985.

[87] Ibid.

[88] Ibid.

Costa Rica officially has attempted to discourage the presence of Contra bases on its territory. Shortly after the election in Costa Rica of President Oscar Arias, Costa Rica and Nicaragua created in 1986 a joint border partrol to eradicate Contra activity on the border and so promote peace between the two countries. Ambassador Pacheco stated that "Nicaragua is not a military, expansionist threat" as the Reagan Administration has portrayed it to be.[89] He criticized the Sandinistas, however, for "not living up to their promise of democracy."[90]

Finally, Pacheco underscored Costa Rica's staunchly pro-American stance, and said he observed no evidence of American hegmonic decline in Central or Latin America.[91] Related to this, Lester Langley, an analyst of Central American politics, noted recently that "Costa Ricans, who have suffered no American military penetration and only isolated cases of Washington's political chastizement, are the only truly pro-American people in Central America."[92]

---

[89] Ibid.

[90] Ibid.

[91] Ibid.

[92] Quoted in Noam Chomsky, Turning the Tide: The US and Latin America (Montreal: Black Rose, 1986), p. 38.

PART TWO: CANADIAN POLITICAL INTERESTS IN CENTRAL AMERICA

This section will address a number of topics of concern for Canadian policy makers. Canada's role in the Central American electoral process will be discussed, as will Ottawa's policy towards the escalating number of refugees coming to Canada from El Salvador and Guatemala. A comparison of official Canadian and American analyses of the Central American turmoil wll be presented, followed by a discussion of Canada's strategic interests in the region and Canada's role in pertinent international organizations.

CANADA'S ROLE IN CENTRAL AMERICAN ELECTIONS

Canada's position with respect to elections in Central America has been steeped in contradiction. Between 1984 and 1986, Canada has sent official observers to elections in El Salvador, Guatemala and Honduras. Official Canadian reports from those elections legitimized them and deemed them to be free and fair. Ambassador Francis Filleul, an official Canadian observer during both the preliminary and final elections in El Salvador in March and May of 1984, indicated his pleasure with regard to Jose Duarte's defeat of far-right candidate Roberto D'Aubuisson. Filleul also speculated that Duarte stood "a good chance" of holding real political power in a country traditionally dominated by the military.[93]

---

[93] 93. Globe and Mail, 8 May 1984.

But while the Canadian Government indicated its satisfaction with those elections, other observers were clearly critical of them. Maurice Dupras, former parliamentarian and chairman of the 1982 House of Commons standing committee on Canada's relations with Latin America and the Caribbean, stated that the Salvadorean elections "will only intensify civil strife" there.[94] This is because the elections fostered a frustrating facade of democracy. The leftist opposition forces did not participate in the elections against the backdrop of a bloody civil war which included (and still includes) death squad attacks against socialists in the country. These were less than perfect conditions for an election. Further, Gordon Fairweather, chairman of the Canadian Human Rights Commission, criticized the administrative problems apparent in El Salvador's preliminary elections, which resulted in thousands of Salvadoreans being turned away from polling stations. "Democracy is affected if anybody who wants to vote can't vote."[95]

---

94. Maurice Dupras, "Canada's Political and Security Interests in Latin America and the Caribbean," Canada, the United States and Latin America (Washington, D.C.: Woodrow Wilson International Center for Scholars, 1984), p. 24.

95. Globe and Mail, 27 March 1984.

Fairweather also was critical of the circumstances surrounding elections he observed in Guatemala in autumn of 1985. Referring to transportation difficulties, a high illiteracy rate and profound cultural barriers, Fairweather observed that "a lot of people didn't have any way of expressing their wishes about the future of the country."[96] Like El Salvador, Guatemala is also the venue of a civil war between the right and left, and those suspected of socialist sympathies are executed at the hands of Government forces - a situation which led Canada to terminate its developmental assistance to the country in 1981.

While Canada sent official observers to elections in Washington's client states in Central America, Canada refused to send observers to elections in Nicaragua in autumn of 1984. Before he left office as External Affairs Minister, Allan MacEachen stated that Nicaraguan elections should be judged "by the same criteria of objectivity and on-the-spot investigation" as was the case in the Salvadorean elections.[97] It would seem, then, that the Trudeau Government was prepared to monitor the Nicaraugan elections, whereas the Mulroney Administration failed to do so.

---

[96] Globe and Mail, 5 November 1985.

[97] Globe and Mail, 25 October 1984.

The Mulroney Government offered no explanation for this course of action (or non-action). Gordon Fairweather, considered by some to be Canada's premier election-watcher, commented that "I don't see how we can accept an invitation from El Salvador in March and May and turn down Nicaragua in November."[98] An unofficial group of Canadians, however, did attend the election.

Even the Globe and Mail, which often has adopted a critical stance on Nicaraguan politics, chastized the new Progressive Conservative Government for its decision.

> Canada has nevertheless elected to wear the blindfold on Sunday as Nicaragua holds its election, evidently fearing that the presence of official Canadian observers will confer instant respectability on the proceedings.
>
> Ignorance, while not exactly bliss, is considered to be at least safe in that it states dissatisfaction with the election arrangements and avoids irritating Washington.[99]

This decision by the Mulroney Administration signaled a major change in Central American policy from the Liberal Government, and appeared to indicate that the Tories would adopt a policy to the region which would be closer to that of the Reagan Administration.

---

[98] Globe and Mail, 20 October 1984.

[99] Globe and Mail, 2 November 1984.

A more subtle sign of this appeared in Joe Clark's foreign policy green paper in 1985, which asserted that there have been "...signs of progress towards democracy in Central America."[100] Presumably, Clark was referring to 'democracy' in the Central American countries to which Canada sent official election observers. Therefore, Ottawa's decision to legitimize elections in Washington's client states on the isthmus but refusal to monitor Nicaraguan elections may be interpreted as support, perhaps unwittingly, for Jeane Kirkpatrick's thesis[101] that authoritarian capitalist regimes (e.g., El Salvador, Guatemala and Honduras) blossom into democracy, whereas 'totalitarian dictatorships' (e.g., Nicaragua) are less likely to achieve this ideal.

---

[100] Competitiveness and Security: Directions for Canada's International Relations, presented by the Right Honourable Joe Clark (Ottawa: Minister of Supply and Services Canada, 1985), p. 16.

[101] For an example of Kirkpatrick's thesis as it applies to Latin America, see Jeane J. Kirkpatrick, "U.S. Security and Latin America," in Howard Wiarda, ed., Rift and Revolution, (Washington, D.C.: American Enterprise Institute, 1983), pp. 329 - 361. While Kirkpatrick's conception of totalitarianism is provocative, a more intellectually satisfying discussion of totalitarianism is presented in Hannah Arendt's The Origins of Totalitarianism, (New York: Harcourt Brace and Jovanovich, 1951).

In sum, the Canadian Government seemed to display a double standard with respect to elections in Central America. Indeed, it is difficult to argue that the elections in El Salvador, Guatemala and Honduras were any more democratic or fair than the one in Nicaragua. This aspect of Canadian foreign policy seems quite contradictory. Commenting on the situation, Pastor Valle-Garay, Consul General of Nicaragua in Toronto, observed that "I don't know if it was because of American influence or because of ingorance (on the part of Canadians) of Central America. I think Nicaragua should have been extended the same courtesy as El Salvador."[102] While instances of influence are virtually impossible to document empirically, Valle-Garay's contention here regarding the possibility of American influence, or of Canada's bowing to perceived U.S. interests, is certainly plausible.

---

[102] Interview, Pastor Valle-Garay, op. cit.

CANADIAN POLICY TOWARD CENTRAL AMERICAN REFUGEES

In Chapter Four I discussed Canada's criticism of human rights abuses in Central American countries, particularly in El Salvador and Guatemala, and demonstrated how this was linked in some cases to the termination of Canadian developmental assistance. Human rights violations in Central America, together with the ravages of warfare there, have resulted in the proliferation of refugees from the region seeking asylum in Canada. This condition is likely to persist and escalate in the foreseeable future. Let us briefly consider, then, Canada's refugee programme for Central Americans.

The inadequacies of Canada's refugee programme for Central Americans were explored in 1982 in the House of Commons standing committee investigation into the matter. In its report, Canada's Relations with the Caribbean and Central America, the committee recognized that Canada's immigration staff in Mexico City was too small to perform its task of handling refugees from Central America and Mexico.

> At present our immigration staff in Mexico is inadequate and overworked.
>
> As a result, refugees have to wait for long periods, in some cases as long as six months.

> This delay places an added burden on refugees, who have already been the victims of a cruel fate, since they have to support themselves while their papers are being processed.[103]

Further, the committee pointed out that the annual Canadian refugee quota at that time of 1,000 for all of Central and South America as well as the Caribbean region was simply too small. Since the standing committee perceived that Central Americans "knew next to nothing" about Canada's refugee programme, it recommended that Ottawa do a better job in acquainting Central Americans with the programme.[104]

The Canadian Government heeded the standing committee's advice on the matter. In 1983, a year after the committee made its recommendation, Canada accepted nearly 1,757 refugees from El Salvador alone.[105] The previous year, Canada had accepted only 266 Salvadorean political refugees. The overwhelming majority of Central American refugees in Canada are from that country, and Canada accepted 4,601 persons fleeing El Salvador between 1980 and 1984.[106]

---

103. Canada, Canada's Relations with the Caribbean and Central America, (Hull: Supply and Services Canada, 1982), p. 29.

104. Ibid., p. 30.

105. Globe and Mail, 5 June 1984.

106. Ibid.

Guatemala is second place to El Salvador as the origin of Central American refugees in Canada. But the 200 Guatemalans who were admitted to this country as political refugees between 1980 and 1984 pales against the Salvadorean figures.[illegible] While Canadian immigration officials accepted a greater number of Guatemalan refugees in 1983, Ottawa at that time also implemented a visa requirement for Guatemalans coming to Canada. The move was harshly criticized by Canadian human rights groups such as the Inter-Church Committee on Refugees as well as the Canadian branch of Amnesty International. This is because the visa requirement made it necessary for Guatemalans to declare themselves as refugee cases while still in Guatemala, rather than the previous arrangement which allowed them to simply board a plane for a quick escape to Canada. Guatemalans fear declaring themselves as refugees while still in their country and within the grasp of Guatemalan authorities, according to Amnesty International and the Inter-Church Committee on Refugees.[108] Since the visa requirement for Guatemalans was implemented, "the number (of Guatemalans) claiming refugee status at ports of entry is down to a trickle and will presumably stay there," according the Canada's director of refugee policy at the time.[109] In the Guatemalan case, therefore, the visa requirement had the effect of reversing the theoretical increase in the number

---

107. Globe and Mail, 28 May 1984.

108. Globe and Mail, 15 March 1984.

109. Globe and Mail, 27 July 1984.

of refugees that Canada's revised 1983 Central American refugee policy would permit.

While much smaller in number than Salvadorean and Guatemalan political refugees, Canada also has accepted Nicaraguan refugees. A Costa Rican official stated in 1984 that his country asked Canada to accept 97 anti-Sandinista insurgents, "since their commander said he could not arm and feed them."[110]

The Canadian Government estimated that approximately 3,000 Central American political refugees were allowed to enter Canada in 1985.[111] Further, the stream of Central American refugees arriving in Canada substantially increased in the aftermath of stricter immigration laws implemented in the United States in November, 1986. That law imposes strict penalties upon employers of illegal immigrants in the US, thus making it much more difficult for Central American refugees to find work there.

---

[110] The Toronto Star, 29 February 1984.

[111] Non-Intervention in Central America: Canadians for Self-Determination, Mission for Peace: A Report, (Toronto: March, 1986), p. 9.

It is estimated that the number of refugees coming to Canada has increased 14 times since the new US law was imposed, and in the first six weeks in 1987 1,884 Salvadoreans and 467 Guatemalans arrived in Canada seeking refugee status.[112] Many of these refugees were believed to be flooding the immigration posts in this country in an attempt to arrive here before a imminent tightening of immigration laws. Since these refugees originate from isthmus nations which are staunch allies of the US, some Canadians are blaming the Americans for this situation. Tom Clark, director of the Canadian Interchurch Committee on Refugees, said his organization deplores "the failure of the United States to provide safe haven for people internationally recognized as in need of it."[113] Ottawa in February 1987 imposed procedural restrictions upon Central Americans in the United States wishing to immigrate to Canada as political refugees. These Central Americans must now wait in the US until a hearing is scheduled with Canadian immigration authorities, instead of the previous arrangement where they waited in Canada for the hearing. The large numbers of Central Americans wishing to immigrate to Canada are likely to continue in the immediate future, but may subside if it becomes apparent that the new American immigration laws are difficult to enforce adequately.[114]

---

112. *Globe and Mail*, 12 February 1987.

113. Ibid.

114. Ibid.

If the number of Central America refugees arriving in Canada remains at rather high levels and places a burden upon immigration officials and relief organizations, the Canadian Government may be confronted with a more direct interest in defusing the instability in Central America which fosters large refugee populations.

CANADIAN VERSUS AMERICAN ANALYSES OF CENTRAL AMERICAN STRIFE

While I have fleetingly referred to the House of Commons Standing Committee report on Central America in some of the discussions above, it would be useful here to take the opportunity to explore in depth the findings of that report. The report is significant in the sense that it represents the Government's most in-depth analysis of Canada's relations with the region, although its effect on actual policy has been limited. In order to assist in the process of fleshing out a distinct Canadian analysis of the Central American situation, the standing committee report will be compared to its American counterpart, the Report of the President's National Bipartisan Commission on Central America (a.k.a. the Kissinger Commission Report).

The major distinctions between the two reports centre around five basic issues: 1) the roots of Central America's political crisis; 2) the question of whether Nicaragua's Sandinista Government represents a strategic threat to Western interests; 3) the debate over a military or diplomatic solution to the region's escalating problems; 4) the nature of the Sandinista regime; and 5) the role of the State in plans for economic recovery in Central America.

The Kissinger Commission, a twelve-member body which was the brainchild of former US Ambassador to the United Nations Jeane Kirkpatrick and which contained only two liberal members, suggests that the roots of the Central American crisis are "both indigenous and foreign."[115] The Commission clarifies this point when it reaches the conclusion that

> Without support from Cuba, Nicaragua and the Soviet Union, neither in El Salvador nor elsewhere in Central America would such an insurgency pose so severe a threat to the government.[116]

---

[115] The Report of the President's National Bipartisan Commission on Central America, (New York: MacMillan, 1984), p. 5.

[116] Ibid., p. 104.

Hence, the Commission appears to recognize that enormous socio-economic problems in conjunction with authoritarian political repression may render Central American countries ripe for revolt. However, it maintains that the potency of the guerrilla movements in El Salvador and Guatemala, and in Nicaragua prior to the revolution of 1979, presumably would not exist without foreign support principally from the Soviet Union or Cuba. Therefore, the Commission argues, the Soviet Union and Cuba represent catalysts which foment revolutionary sentiment in Central America which probably would not flourish to such a strong and uncontainable degree otherwise.

In contrast, the Canadian report suggests that the root of turmoil in the region is a North-South problem, not an East-West one. (This sentiment was also expressed in interviews by Canada's ambassador to Central America, Francis Filleul, as well as by members of the Department of External Affairs.[117]) The report focuses on indigenous causes of discontent in Central America. "Many of the problems are the result of economic structures, rooted deeply in the past, which cannot respond adequately to powerful and frequently adverse international economic forces."[118]

---

[117] Interviews, Ambassador Francis Filleul, and Emile Martel and David Bickford, Caribbean and Central America Division, Department of External Affairs, op. cit.

[118] Canada, Canada's Relations with the Caribbean and Central America, op. cit., pp. 10 - 11.

Another point of contention between the Canadian and American analyses concerns the question of whether or not the Sandinistas represent a strategic threat to Western interests in the hemisphere. The Canadian report indicates that its authors are willing to provide the Sandinistas "with the benefit of the doubt" that the expansion of Nicaragua's armed forces is for defensive rather than offensive purposes.[119] While the Canadian analysis rejects the notion that Nicaragua represents a base for Soviet expansionism, it nevertheless states that Canada is firmly committed to the protection of Western strategic interests in the hemisphere.

> It should be clearly understood by all countries in the Caribbean and Central America that these regions are of strategic importance to the US and to the Western Alliance of which Canada is a member.
>
> Any direct threat to the vital US and Western strategic interests will be resisted. The US, for its part, must be prepared to accept differing political regimes as a fact of life.[120]

This view is quite similar in tone to many American liberal commentators who argue that the US should accept ideological diversity in the hemisphere, so long as those states pursuing socialist experiments in the Americas are not flanked with Soviet-Cuban military bases which pose a threat to Western strategic interests.[121]

---

[119] Ibid., pp. 23 - 24.

[120] Ibid, p. 37.

The Kissinger Report adopts quite a different stance on this matter. It asserts that Nicaragua is a "crucial stepping stone for Cuban and Soviet efforts to promote armed insurgency in Central America,"[122] and that Sandinista Nicaragua is "...seen by its neighbors as constituting a permanent security threat."[123] Further, the Report argues that the US must prevent "the erosion of our power to influence events worldwide that would flow from the perception that we were unable to influence vital events close to home."[124] Again, the issue of the 'Sandinista threat' represents a major chasm between American and Canadian analyses of Central America.

Another significant distinction between Canadian and American official analyses concerns the question of a diplomatic or military solution to the crisis in the isthmus. The Canadian report strongly argues for diplomatic negotiations "between countries whose policies in these regions are in conflict, including the US and Cuba."[125] The Kissinger Commission, in contrast, urges elevated US military assistance for its allies in Central America, and also suggests the utility of threats of military force as an American bargaining tool vis-a-vis the Sandinistas.

---

[121] See for example Walter Lafeber, Inevitable Revolutions (New York: Norton and Company, 1983); and A. Lowenthal, "The United States and Central America," in K. Coleman, ed., The Central American Crisis (Wilmington, Del.: Scholarly Resources, 1985), pp. 205 - 218.

[122] The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 109.

[123] Ibid., p. 135.

[124] Ibid., p. 111.

> We can expect negotiations to succeed only if those we seek to pursuade have a clear understanding that there are circumstances in which the use of forces, by the US or by others, could become necessary as a last resort.[126]

Similarly, the Report suggests that the American-directed Contra military incursions into Nicaragua represent a favorable bargaining device for the United States.

The Kissinger Commission clearly indicates that "We do not advocate a policy of static containment."[127] Indeed, containment implies that the Sandinista regime should be permitted to exist so long as it does not sponsor revolutionary activity elsewhere. The policy employed by Ronald Reagan, who deemed himself to be a Contra in the spring of 1986, is designed to topple the Sandinistas or to sour the progress of the Nicaraguan Revolution. Again, this is in sharp contrast to the Canadian suggestion that the US should tolerate ideological diversity in the hemisphere.

---

[125] 125. Canada's Relations with the Caribbean and Central America, op. cit., p. 6.

[126] 126. The Report of the President's National Bipartisan Commission on Central America, op. cit., p. 127.

[127] 127. Ibid., p. 137.

The Canadian report also rebukes the polemic of 'authoritarianism versus totalitarianism' resurrected into conservative American political thinking in the late 1970s. As mentioned earlier, Kirkpatrick has argued that right-wing, authoritarian dictatorships are morally superior to left-wing, 'totalitarian' ones since the former possess the propensity to evolve into American-styled democracy, whereas the latter do not. It has been an all-to-common phenomenon in the last decade or so for the United States and the Soviet Union to engage in a battle of propagandistic name-calling in the context of each attempting to assert that the other exemplifies qualities reminiscent of Nazi Germany. While the Soviets and their allies have suggested that the Reagan Administration is fascist, the US and its allies have asserted that the USSR and its satellites are totalitarian. Both tend to debase the deeper meanings of totalitarianism and fascism.[128] At any rate, while the Canadian report argues that Nicaragua is "...not a totalitarian state,"[129] the Kissinger Commission suggests that "regimes created by the victory of Marxist-Leninist guerrillas become totalitarian."[130]

---

[128] See Hannah Arendt, The Origins of Totalitarianism, op. cit.

[129] Canada's Relations with the Caribbean and Central America, op. cit., p. 34.

[130] The Report of the President's National Bipartisan Commission on Central America, p. 105.

The Canadians and Americans also appear to differ on the issue of plans for economic recovery in Central America. The Kissinger Commission recommends that the primary vehicle for economic acceleration in Central America ought to be the private sector. This is congruent with American free enterprise ideology which has been accentuated by the Reagan Administration. The House of Commons report, however, calls for

> ...new forms of economic development involving both government and the private sector.
>
> This economic pluralism preserves the greatest flexibility in dealing with an inherently upredictable and increasingly severe environment.[131]

Thus, the Canadian recommendation above is a product of Canada's history of reliance upon the State vis-a-vis domestic economic development.

Predictably, the Kissinger Commission criticizes its Western allies which support the Sandinistas with foreign aid and moral support.[132] Canada, which has provided bilateral developmental assistance to the Sandinistas since 1979, suggests that its ties with both Cuba and Nicaragua may be seen as important "diplomatic assets" which would

---

131. Canada's Relations with the Caribbean and Central America, op. cit., p. 11.

132. The Report of the President's National Bipartisan Commission on Central America, op. cit., pp. 147 - 148.

prove instrumental in any diplomatic settlement of the regional conflagration.[133]

Finally, the Canadian report has called for the construction of a Canadian embassy in Managua.[134] This would enhance Canada's intelligence-gathering capacity significantly. As Meyer Brownstone, director of OXFAM-Canada, has suggested, the primary intelligence sources for Canada's embassy in Costa Rica with respect to Nicaraguan affairs are the American embassy in Managua and the pro-US Catholic Church there - sources which decidedly reflect a US bias.[135] However, the Department of External Affairs in December, 1985, stated that Canada has no intention of constructing an embassy in Nicaragua due to "budgetary restraints."[136]

In summary, there exists a number of important distinctions between the Canadian and American analyses of the Central American imbroglio. The Canadian report differs with the Kissinger Commission's analysis of Western strategic interets in the region, although the Canadian standing committee clearly voiced its general support for Western interests in the hemisphere. While some of the

---

133. Canada's Relations with the Caribbean and Central America, op. cit., p. 38.

134. Ibid., p. 6.

135. Interview, Meyer Brownstone, Director OXFAM-Canada, Toronto, 21 May 1985.

136. Canada, Department of External Affairs, "Canada and Central America," Bulletin, 6 December 1985.

committee's recommendations were transformed into government policy, such as a review of Canada's refugee programme to the isthmus, other recommendations such as the construction of a Canadian embassy in Managua went unheeded.

CANADA'S STRATEGIC AND MILITARY INTERESTS IN THE REGION

We will recall that in 1970, the Trudeau Administration's *Foreign Policy for Canadians* indicated that Canada's view of hemispheric security issues occasionally differ from that of Washington's.[137] Let us examine this assertion with respect to the Central American crisis. Central America's strategic significance to Western interests became apparent during debates concerning the Panama Canal Treaty in the late 1970s,[138] and when leftist insurgencies gained momentum during the same period in El Salvador and Nicaragua, and to a lesser extent, in Guatemala. In 1978, the Canadian Department of National Defence commissioned a study of Canada's strategic interests in Latin American in general. The report focused on five strategic issues: 1) the importance of the Panama Canal to Western interests; 2) the implications of nuclear weapons proliferation in South America; 3) the Cuban 'threat'; 4) the emergence of Brazil as a regional power; and 5)

---

137. *Foreign Policy for Canadians*, op. cit., p. 6.

138. See Walter LaFeber, *The Panamal Canal: The Crisis in Historical Perspective* (Toronto: Oxford University Press, 1978).

instability in the Caribbean as a threat to Canadian economic interests.[139] The report was rather superficial, however, and devoted only seven pages to the issues outlined above. At any rate, the study made two points which are relevant for our purposes.

First, it points to Cuba's capacity for provocative behaviour in the hemisphere.

> One has only to look at Cuban backing for Panama's claim regarding the canal zone and its active policy of support for Puerto Rican independence to note how effective its destabilizing role in Latin America could be.[140]

Second, and related to the first point, the study concludes by linking declining American hegemony in the hemisphere with regional warfare.

> There are some reasons for disquiet about the future of international peace in the region, and these (sic) largely related to declining United States influence and an increasing ability on the part of area countries to effectively wage external war.
>
> Both in economic and strategic terms, there can be no advantage to Canada in having any such trends reach major proportions, and change this relatively peaceful area into

---

[139] H.P. Klepak and Captain G.K. Vachon, A Strategic and Economic Analysis of Canadian National Interests in Latin America, (Ottawa: Canadian Department of National Defence, 1978).

[140] Ibid., p. 10.

> one that is more torn by international conflict.[141]

The report, however, fails to analyze the dynamic behind US hegemonic decline in the hemisphere.

It is difficult to disagree with the report's assertion that war in the Americas is disadvantageous for Canada. Thus, it is incumbent upon Canada to do its utmost to promote peaceful progression in the hemisphere, although such an effort may be in vain when Washington staunchly insists upon the status quo.

In 1980, once the Sandinistas consolidated their power in Nicaragua and when the civil war in El Salvador heightened, an influential conservative group in the United States decided that Canada should assume more responsibility vis-a-vis security issues in the Americas. The Committee of Santa Fe in conjunction with the Council for Inter-American Security published a study which asserted that "Canada must be induced to assume greater responsibility in American defense and development by extending its influence into former British West Indian colonies in and around the Caribbean."[142] Thus, it is clear that certain conservative thinkers in the United States became dissatisfied with Canada's reluctance to adopt a military stance in the Americas. A Canadian military presence in the Caribbean

---

141. Ibid., p. 57.

142. Quoted in Julie Leonard, "Canadian Links to the Militarization of the Caribbean and Central America," op. cit., p. 16.

would free the United States to concentrate more on particular trouble spots such as Central America. As we shall see shortly, however, the United States apparently found that it could not count on Canada with regard to military issues in the Caribbean.

When American policy toward Nicaragua grew increasingly belligerent in 1982, Canada provided its first clear statement with regard to Central American strategic and security issues. In March, 1982, former Secretary of State Mark MacGuigan stated that

> Instability in Central America - and most other cases in the Third World - is not a product of East-West rivalry.
>
> It is a product of poverty, the unfair distribution of wealth and social justice. East/West rivalries flow in its wake.
>
> ...It is also true that Canada lacks the means to carry out a 'security policy', even if it were believed one were necessary.
>
> ...Canada's existing defence commitments already far exceed its military capabilities, effectively excluding a military role even in the unlikely case of a plausible rationale for such a departure.
>
> Beyond NATO's southern line in the Atlantic, Canada depends on the United States to defend security interests.[143]

---

[143] Quoted in "Canada and Latin America," Canada, the United States, and Latin America, op. cit., p.7.

MacGuigan's statement is significant for at least two reasons. First, he proposes that resolving North/South conflicts in the Americas will preempt East/West confrontations such as the one we are witnessing now in Nicaragua. Hence, it has been Canada's strategy since 1982 to provide ever-increasing amounts of developmental assistance to Central America in an effort to erode the progression of capitalist-socialist warfare there.[144] Second, MacGuigan states the obvious though important point that Canada depends on the US to defend militarily the interests of the West in the Americas. This may afford Ottawa little clout, however, when it happens to disagree with Washington regarding what those interests are.

Another view of Canadian security interests in Central America was voiced by Maurice Dupras, chairman of the House of Commons standing committee on Canada's relations with Central America, at a conference concerning Canada's role in the hemisphere. Near the beginning of his speech in Washington, D.C., Dupras heaped criticism upon the US for its invasion of Grenada in 1983.

> It is unfortunate that in the White House of today the progressive tradition in American foreign

---

[144] As we saw in Chapter Four, however, Canada's developmental assistance has clearly been geared in large part to propping up capitalist regimes in Central America. Canadian aid to El Salvador and Honduras represent classic examples of this. It would seem that Canada is attempting to resolve North/South problems in a manner which retards the growth of socialism in the Americas.

> policy is interpreted as a weakness rather than a strength.
>
> The Wilsonian and the Canadian view of the struggle against colonialism and for development is out of fashion.
>
> So Canada, it appears, cannot be fully trusted to defend western interests in the hemisphere, at least as these are pronounced by the Reagan administration.
>
> We saw dramatic evidence of this during the events surrounding the invasion of Grenada last October.
>
> Canada, the senior member of the British Commonwealth in the hemisphere and a NATO ally, was largely kept in the dark because of its known opposition to the use of foreign military occupation to settle internal disputes.
>
> ...There were no meaningful consultations or negotiations (with Canada). Canada was not listened to...This is not an acceptable state of affairs for any self-respecting nation with an independent foreign policy.[145]

Dupras' strong comments were quite a refreshing change from the subtle pronouncements on hemispheric affairs offered by other Canadian officials. Dupras made a number of important points, including Canada's preference for resolving North/South disparties, and its distaste for the jingoistic policies of the Reagan Administration in the Americas. It would also seem that the Committee of Sante Fe's wish to incorporate Canada into the military defence of

---

145. Maurice Dupras, "Canada's Political and Security Interests in Latin America and the Caribbean," Canada, the United States, and Latin America, op. cit., p. 20.

the Caribbean failed, as exemplified by the Grenada experience.

Further, Dupras stated Canada's strong preference for the development of "western liberal-democratic institutions" in the Third World, thus hinting at Canada's negative view toward the proliferation of Soviet or Cuban-styled systems there.[146] To this extent, Canadian policy is congruent with American policy. However, he also criticized "the ill-conceived recommendations of the Kissinger Commission" which focus on a military solution to Central America's problems.[147] Dupras advocated political diologue and a policy of ideological accommodation to reduce tension in the region. I have argued in Chapter Two, however, that while an accommodationist policy would surely reduce military conflict in the Third World, such a policy is probably incompatible with the United States' role as leader of the capitalist world in the Great Contest with socialism.

Near the time of Dupras' criticism of Washington's militaristic policies in Central America, the United States mined Nicaragua's harbours in Janauary, 1984. A Canadian vessel passed through the mined waters just hours before the explosives were discovered. The incident prompted unusually sharp Canadian criticism of US policy. SSEA Allan MacEachen stated that

---

[146] Ibid., p. 21.

[147] Ibid., p. 21.

> Canada certainly doesn't approve of the mining of Nicaraguan waters.
>
> Canada thinks it's not only a violation of international law but also that it is likely to contribute adversely to the tension that already exists.
>
> ...We have expressed our disagreement with the United States on a number of occasions both publicly and privately, and we have stated that we dislike the military presence of any third party in Central America.
>
> That includes the United States and any other foreign presence like the Cubans or the Soviet Union."[148]

While MacEachen criticized the American mining of Nicaraguan waters, he was typically careful to balance any scorn of American intervention in the region with Canada's unhappiness with Cuban and Soviet involvement in Central America.

In 1986, the Canadian Government released Independence and Internationalism, which was heralded as the most significant foreign policy review since the Trudeau Administration's Foreign Policy for Canadians. But the 1986 review, a product of a joint committee of Canadian Parliament, represents a severe disappointment with respect to Canadian policy to Latin America in general, and Central America in particular. Latin America is barely mentioned in the report, although the US and the Pacific Rim receive considerable attention, presumably due to their economic strength. While the study acknowleges that "the committee received more submissions on Central America than on any other single subject,"[149] this topic was afforded only four pages in the report which is over 150 pages long. Why, then, does the topic receive such short shrift? Perhaps the answer is contained in the report's assertion that "...Canadian influence over the security policies of other countries is limited..."[150] There is virtually nothing of significance in the report's four pages which are devoted to Central America. The study's central conclusion is that "...US policy has been designed, in part, to counter other foreign military intervention in Central America and that Canada should oppose outside intervention in Central America by all countries."[151] Thus, while the members of the committee would prefer that the US stay out of Central America, it implies that the reason the US is there is to combat foreign communist subversion.

---

[148] Globe and Mail, 2 May 1984.

The best analysis to date of Canadian strategic interests in the region is Edgar Dosman's Latin America and the Caribbean: The Strategic Framework - A Canadian Perspective, published in 1984. That study, commissioned by the Canadian Department of Defence, points out that the

---

149. Independence and Internationalism, Report of The Special Joint Committee on Canada's International Relations, (Ottawa:Canadian Government Publishing Centre, 1986), p.111.

150. Ibid., p. 114.

151. Ibid., p. 112.

United States does not consider itself to be a 'foreign power' anywhere in the Americas.[152] This can be interpreted as a major chasm between Canadian and American thinking on the Central American issue, since Canada considers the US presence in Central America to represent foreign intervention (as, for example, MacEachen stated above).

Dosman also makes the important point that no American president since Monroe has challenged the concept of US hegemony in Latin America.[153] Therefore, Reagan's policies are consistent with the United States' legacy of subjugating Latin states. The crux of the problem in Central America currently is that Washington is unable to accept the erosion of its hegemony in the hemisphere. This erosion is manifested in an increasing unwillingness by certain elements in Latin America to adhere strictly to a capitalist orientation. Hence, Nicaragua's chief threat to the United States is not military in nature, but instead represents a challenge to the hemisphere's "economic orthodoxy" of American-styled capitalism.[154] Central America, from the perspective of the Reagan Administration's attempt to quell the erosison of US hegemony, is the venue of the most significant Third World battle in the Great Contest between capitalism and socialism.[155] Canada, then, must accept this reality when formulating policy to the region.

---

[152] Edgar J. Dosman, Latin America and the Caribbean: The Strategic Framework - A Canadian Perspective, (Ottawa: Department of Defence, Operational Research and Analysis Establishment, 1984), p. 19.

[153] Ibid., p. 17.

[154] Ibid., p. 40.

A strategic consideration for Canada, Dosman argues, is the prevention of a regional war in Central America which could divert the United States from its duties as hegemon in other areas of the globe such as Western Europe.[156] Such a scenario wields the potential to ignite a global crisis, or hegemonic war, as was argued earlier by the chief researcher for Canada's standing committee report on Central America.

Dosman's analysis reaches the conclusion that the United States should pursue an "accommodationist" posture which accepts ideological pluralism in the Americas.[157] But such a conclusion does not come to grips with the point that economic and ideological orthodoxy - or the preservation of capitalism - is at the heart of the United States' role as the leader of the capitalist world. This is central to the dynamic behind American intervention in Central America. For the US simply to accept socialism in the Third World, especially at its doorstep, would be to relinquish its perceived hegemonic interests in the contest between capitalism and socialism in developing countries. Hence, perhaps Canada cannot reasonbly expect the US to adopt an accomdationist policy.

---

[155] See, for example, Joshua Cohen and Joel Rogers, _Inequity and Intervention - The Federal Budget and Central America_, (Boston: South End Press, 1986), p. 39.

[156] Dosman, op. cit., p. 73.

[157] Ibid., p. 282.

Canada's loyalty to world capitalism in the Great Contest is undisputed, and first became apparent early in this century when Canada sent troops into the Soviet Union in an unsuccessful effort to reverse the 1917 revolution. Much more recently, Joe Clark's green paper on Canadian foreign policy asserts that "The most direct threat to Canadian security derives from the Soviet Union's military capabilities and antipathy to our values..."[158] Clearly, Canada is not happy about the prospect of Soviet gains in the Third World, and particularly in Central America. The Department of Extenrral Affairs stated in November 1986: "Politically, Canada does not wish to see Nicaragua locked into the Soviet bloc or involved in destabilizing its neighbours."[159] A contradiction therefore emerges: while Canada officially indicates that it is prepared to tolerate ideological diversity in the hemisphere, it also appears to advocate the containment of socialist experiments in the Americas since newly-established socialist regimes may tilt toward Moscow against the backdrop of a legacy of American military intervention in such countries - a phenomenon which may breed the unfavourable consequence of regional instability.[160]

---

[158] Competitiveness and Security: Directions for Canada's International Relations, presented by the Right Honourable Joe Clark (Ottawa:Ministry of Supply and Services Canada, 1985), p. 37.

[159] Department of External Affairs, Bulletin, "Canada and Nicaragua," November 1986.

Ottawa apparently appreciates that attempting to reverse popular revolutions such as the one in Nicaragua is likely to provoke a hemispheric crisis, and perhaps a regional war. In order to avoid this, Canada has discouraged Washington's counter-revolutionary policy toward Nicaragua. Ottawa also has encouraged a political solution to the matter through international organizations - a point to which we will return.

***

Canadian military involvement in Central America has been quite minimal. Nevertheless, let us proceed to consider the extent of it. One of the primary reasons that the Canadian Government has been reluctant to seek full membership in the Organization of American States is that Canada would presumably be obliged to sign the Rio Treaty. The treaty stipulates that an attack against one Latin member represents an attack against all members. One can imagine, then, that the Reagan Administration might be apt to exploit the treaty in its effort to topple the Sandinistas, or on other occasions in its battle against socialism in the hemisphere. Thus, by not becoming a signatory to the OAS and the Rio Pact, Canada is in a position to avoid such messy episodes. I will return later to the topic of Canada's role in international organizations which are concerned with the Central American crisis.

---

[160] See the earlier discussion of my interview with Emile Martel, Director of the Caribbean and Central American Division, Department of External Affairs.

The issue of Canadian military sales to Central America has come up in the last decade or so, though instances of this are rather infrequent. In the early 1980s, Canadian aircraft manufacturers launched unsuccessful attempts to sell aircraft which possessed military capability to Guatemala and Honduras. The sale of de Havilland aircraft to those countries never reached fruition, however, largely due to strong protests staged by the Taskforce on the Churches and Corporate Responsibility, a well-organized Canadian counter-consensus group based in Toronto.[161]

In May, 1983, a correspondent for The New York Times reported that a dozen boxes of Canadian-made bullets were present at a Contra base in northern Nicaragua.[162] Canadian law forbids the sale of military equipment to Central America. Canada's former Minister of State for External Relations, Charles Lapointe, commented that "it just proves that the safeguards (against Canadian military equipment being used by military forces in Centrtal America) aren't good enough."[163] Since this ammunition was not sent directly to the Contras, observers speculated that it was shipped through a third party which had purchased the ammunition, such as the United States, Colombia and/or Venezuela. Pastor Valle-Garay, Nicaragua's Consul General in Toronto, charged that it was "the handiwork of the CIA."[164]

---

[161] See Taskforce on the Churches and Corporate Responsibility, Annual Report 1982-1983 (Toronto); The Toronto Star, 22 July 1982; Financial Post, 19 March 1983; and Julie Leonard, "Canadian Links to the Militarization of the Caribbean and Central America," Canada-Caribbean-Central America Policy Alternatives (Toronto: May, 1985) pp. 4-6.

[162] Globe and Mail, 31 May 1983; see also MacClean's, 13 June 1983.

Similarly, Canadian markings were found on de Havilland aircraft providing equipment to the Contras in 1984 and in 1986. In both incidents the markings were discovered when the planes were forced to make unanticipated landings. The Canadian Government claimed that the markings were used illegally, and that it had no idea that the Canadian-made aircraft were being utilized for such a purpose.[165]

Near the time of the Nicaraguan elections in 1984, the United States organized naval manoeuvres involving 30 ships off the Caribbean coast of Nicaragua. A Canadian destroyer, the HMCS Ottawa, participated in the exercise. The manoeuvres were unusual in the sense that they were unannounced. The Toronto-based Latin American Working Group criticized Canada's participation in the event.

> Participation in large-scale, unannounced naval manoeuvres in the Caribbean at this moment is clearly inconsistent with Canada's official

---

163. Ibid,

164. Globe and Mail, 30 May 1983.

165. Edmonton Journal, 22 February 1986.

> policy of support for negotiated, non-military solutions to the region's conflicts.[166]

Canadian officials, however, denied that Canada's participation in the exercize was meant to exert psychological pressure upon the Sandinistas.

Finally with respect to the topic of Canadian military involvement in Central America, there has been some support among Canadians for mercenary activities in concert with the Contra forces. A small number of Canadians have participated as mercenaries to overthrow the Sandinistas,[167] and have contributed over $75,000 to a pro-Contra fund sponsored by the right-wing American periodical, Soldiers of Fortune.[168] The level of Canadian support for these sorts of activities, however, pales against the massive aid packages Canadian interest groups have provided in support of the Sandinistas.[169]

In sum, Canadian military involvement in Central America has been scant, and generally has not involved the Canadian Government, which has expressed its abhorrence towards the militarization of the region.

---

[166] Quoted in Julie Leonard, op. cit., p. 7; for additional commentary on this matter, see Socialist Voice, 17 December 1984.

[167] The Toronto Star, 5 March 1985.

[168] Globe and Mail, 6 September 1986.

[169] See Chapter Four for a discussion of Canadian assistance to Nicaragua.

CANADA, INTERNATIONAL ORGANIZATIONS, AND CENTRAL AMERICA

Various members of both the Trudeau and Mulroney Governments have expressed Canada's position of unqualified support for the Contadora process, which began in January, 1983, through the efforts of Panama, Mexico, Colombia and Venezuela. A Department of External Affairs (DEA) bulletin dated January, 1986, stated that "Canada continues to regard the Contadora initiative...as the only viable instrument of reconciliation in Central America."[170] A similar statement by the DEA was released in October 1986.[171]

Drafts of the Contadora treaties have all focused on three themes: political, economic and security issues embedded in the Central America imbroglio. It is in the realm of security issues where Canada has been of assistance to the Contadora countries. Beginning in 1984, at the request of the Contadora four, Canada submitted comments to the group regarding the establishment of a Control and Verification Commission (CVC). The centrepiece of the Commission would be the stationing of peacekeeping troops, especially on the Nicaraguan borders, which would monitor agreements reached diplomatically in the realm of security matters (e.g., the presence of foreign military advisors and troops, border excursions, etc.). Canada's consultation regarding the CVC was completed in January, 1985, but details of the Canadian negotiations were not publicly released due to the "delicate nature of the negotiations."[172]

---

[170] Canada, Department of External Affairs, Bulletin, "Briefing Notes on Specific Countries in Central America," 14 January 1986.

[171] Canada, Department of External Affairs, Bulletin, "Contadora", October 1985.

John Graham, Director General of the DEA's Caribbean and Central America bureau, commented that the CVC would necessitate "...a central political authority - the operative word being authority - which can operate effectively and can manage a control and verification commission."[173] In another speech later in 1985, Graham noted that Canada's participation in the design of the CVC did not mean that Canada would necessarily participate in the Commission if it were established.[174]

One of the prime stipulations regarding the CVC is that it that it would be composed of four commissioners or states of recognized impartiality. Some observers of Canadian policy toward Central America have wondered aloud whether or not Canada would qualify as an impartial state in the event that Canada was invited to become a commission member.

> Is Canada exhibiting the necessary objectivity and impartiality

---

[172] Canada, Department of External Affairs, Bulletin, "Contadora," June, 1985, p. 12.

[173] Quoted in T. Draimin and M. Czerny, "Canadian Policy Toward Central America," Canada-Caribbean-Central America Policy Alternatives, January, 1985.

[174] Speech given by John Graham at the Canadian Institute for Strategic Studies, 8 November 1985.

> demanded of a prospective CVC member?
>
> ...Is Canada impartial when it exhibits a double standard regarding Nicaragua and El Salvador or is unable to publicly recognize the reality of the US role (in Central America)?[175]

While there may be grounds to question Canada's 'objectivity' vis-a-vis Central America, assuming that such a quality is even possible in international relations, the point made above linking objectivity with the CVC is rather moot since there is no reason to believe that the Contadora process will succeed. This is because Washington's efforts to sabatage the initiative have been successful.

It has become increasingly clear that the US is not at all serious in its rhetorical support for the Contadora process. The escalation of US-directed Contra forces has indicated that Washington prefers a military solution to its differences with Managua, a solution aimed at eradicating the Sandinistas or at least at constraining severely the progress of the Revolution. Canada, however, has refused to criticize Washington for its visible lack of support for Contadora. It will be recalled that in September, 1984, the US and its allies in Central America, in addition to the four Contadora countries, initially backed a draft of the

---

[175] T. Draimin and M. Czerny, op. cit., p. 15.

Contadora Treaty.[176] In a surprise move, Managua stated that it was willing to sign the treaty which would prohibit foreign military intervention in Central America. Quite suddenly, in the aftermath of the Sandinistas' unanticipated willingness to embrace the initiative, Washington and its client states in the region found fault with the treaty and refused to sign it unless it was reworked. That was the beginning of the end for Contadora.

The Canadian Government refused to criticize Washington on this matter. John Graham of the DEA discussed the September, 1984 incident and failed to assign any blame to the US for sabatoging the treaty. He indicated that "this is not to criticize those who were anxious to have an agreement at the time, but the provisions of that agreement, particularly of a workable Verification and Control system, had not adequately matured."[177] Similarly, External Affairs Minister Joe Clark, in an interview with CBC Radio's 'As it Happens', stated that "I have seen no evidence that the US is trying to do anything other than make Contadora succeed."[178] He also noted that Washington's severance of bilateral talks with Nicaragua could be seen as a method "to strengthen rather than weaken the Contadora process."[179] That argument is quite unconvincing. Clearly, the Canadian Government has been careful not to criticize publicly the Reagan Administration's obvious attempts to stall Contadora.

---

[176] See, for example, Tim Draimin and John Foster, "Canada, Contadora and Central America," Canada-Caribbean Central America Policy Alternatives (CAPA), Toronto, 1985.

[177] Speech by John Graham, op. cit.

[178] Canadian Broadcasting Corporation, Radio, `As it Happens', 28 January 1985.

In sum, Canada has wholeheartedly supported the Contadora initiative, and has even assisted the Contadora four regarding the potential establishment of a Control and Verification Commission which would be implemented in the event that a diplomatic solution to the crisis could be reached. But the prospects for such a solution are virtually nil. While the United States continues to oppose a diplomatic solution to the crisis by escalating its military involvement in the region, the Contadora group imposes deadlines for the Treaty that are never met (the last 'deadline' was June 6, 1986).

Even if Contadora cannot succeed, Canada's participation in the initiative can still produce certain positive results. Canada's participation in the Contadora process demonstrates Canada's preference for conflicts in the Americas to be resolved through diplomatic and regional consultation. While this process may not work for the Central American crisis, it may work in other conflictual episodes. Thus, Contadora may be seen as an exercize in diplomacy that may be more successful next time. Further, by involving itself in Contadora, Canada also expresses its solidarity with other states in the Americas, thereby improving Canada's diplomatic relations with them.[180]

---

[179] Ibid.

Another international organization concerned with inter-american affairs is the Organization of American States (OAS). The OAS has not devoted meaningful efforts to defuse the Central American crisis. It is widely recognized that the OAS has little real significance since its members traditionally have followed the American line. The prohibition of Cuba from the organization exemplifies this, and also diminishes the posibility that the contest between capitalism and socialism in the hemisphere can be addressed diplomatically in the OAS.

Canada's decision not to seek full member status in the organization is a sound one. If Canada were a full member, it would have been called upon to sever the lucrative commercial relations it has established with Cuba. Canada would also find itself caught in disputes between Latin states and the US, thereby dragging it into a no-win situation. As noted earlier, since all members of the OAS are signitories to the Rio Treaty, it is likely that Canadian full membership in the OAS would also require Canada's signature to the Treaty. One of the advantages Canada currently enjoys in its relationship with the US is the luxury of deferring military matters in the hemisphere to Washington, a situation which might not exist if Canada became party to the Rio Treaty. Canada's current status as observer in the OAS leaves Ottawa free to monitor the proceedings in the organization, without incurring the negative side-effects that full membership would produce.

---

[180] Mexico, as well as other Latin countries, have made repeated requests for Canada to participate in the Central America peace process. Canada's willingness to do so presumably strengthens its relations with those countries. See, for example, Edmonton Journal, 16 January 1985.

Recently, Canada has distanced itself from the OAS even further. In December, 1986 - the same time Canada announced it would eliminate its ambassador and trade officer in Guatemala amid diplomatic cutbacks elsewhere - Ottawa revealed that it would no longer maintain a permanent observer to the OAS in Washington.[181] Instead, the OAS would be monitored on a more informal basis from Ottawa.

Canada's decision to resign as a full member of the United Nations Human Rights Commission in 1985 represented a severe disappointment for Canadian counter-consensus groups concerned with human rights issues in Central America and elsewhere.[182] There are indications that the Government felt bothered by such groups, as dominant class theory predicts. Minister for External Affairs Monique Vezina in 1985 disclosed in a letter obtained by Le Devoir through the Freedom of Access Law that: "According to our contacts, the views expressed by groups such as the Canadian InterChurch Committee lack objectivity and precision."[183] Ottawa's decision to ignore protest from counter-consensus groups and to resign from the human rights commission may be interpreted as a move by the Mulroney Administration in 1985 to avoid conflicts with Washington regarding its client states which violate human rights. The Reagan Administration's attempt to reassert its hegemony in the Third World incorporated a rejection of the abhorrence for human rights abuses that was a keynote for the Carter Administration.[184]

---

[181] Canada-Caribbean-Central America Policy Alternatives, "External Affairs Cutbacks," December 1986.

[182] The Toronto Star, 17 March 1985.

[183] Le Devoir, 3 September 1986.

In a major break from previous policy, Canada in November 1986 voted in favour of a resolution at the United Nations calling on the US to comply with the World Court's decision that it should refrain from supporting the Contra invasion of Nicaragua. Only El Salvador and Israel voted with the US, while traditional American allies such as France, Great Britain and West Germany abstained from the vote.[185]

Canada's action at the UN underscores a fundamental distinction between American and Canadian foreign policy in general. Washington's decision to ignore the mandates of international organizations (such as the UN, GATT and Contadora) demonstrates a strategy of unilateralism to achieve the objective of reasserting American hegemony. Canada, with its historical support for international organizations and for multilateral processes aimed at resolving global problems,[186] served notice to Washington with its UN vote on Nicaragua that is is unhappy with America's unilateralist approach. As a middle or small power, Canada's voice in international affairs can be more powerful and effective when voiced in concert with other states of similar mind. International organizations provide a forum which serves as a buffer to protect Canada from instances of being trounced by the unilateral measures of stronger powers. Hence, it seems plausible that Canada's vote against the US at the United Nations was as much a vote against the unilateralist policies of the Reagan Administration as it was aginst Washington's illegal war against Nicaragua. An editorial in the Ottawa Citizen observed that

---

[184] Aspects of Canada's voting record at the UN concerning human rights issues in Central America were discussed in the previous chapter in the section devoted to foreign aid.

[185] Globe and Mail, 4 November 1986.

> Although Canada's Arctic waters are a long way from Nicaragua's swamps, they must have been very much in Canada's mind at the UN.
>
> Support for the ICJ's decision is in keeping with this country's traditional respect for international law.
>
> More specifically, our dispute with the US over Arctic sovereignty could end up at the World Court if we don't settle it bilaterally.

---

[186] See Kim Richard Nossal, The Politics of Canadian Foreign Policy (Toronto: Prentice Hall, 1985), pp. 11, 59 and 97; Stephen Clarkson, Canada and the Reagan Challenge (Toronto: Lorimer, 1985), pp. 280 - 283; and David Dewitt and John Kirton, Canada as a Principal Power (Toronto: Wiley and Sons, 1983), pp. 107 - 114.

> Canada's decision...will be praised in UN corridors, where voting against the Americans is a welcome relief from worrying about the UN's viability...[187]

It is interesting to note, however, that even during the episode of the UN vote, Canada stuck to its pattern of refusing to criticize US policy in Central America without also criticizing the Sandinistas. Canada's representative at the General Assembly stated that "While supporting the resolution, we wish to express our concern that the resolution points only to the US and fails to mention others, including Nicaragua, that are intervening in the internal affairs of other states in the region."[188]

---

187. Ottawa Citizen, 5 November 1986.

188. Globe and Mail, 4 November 1986.

CHAPTER SIX:
CONCLUSION

The study of Canadian foreign policy towards Central America represents one facet of the broader issue of Canada's role in hegemonic change in the hemisphere. Sandinista Nicaragua, and to a lesser extent the civil wars in El Salvador and Guatemala, signify formidable challenges to US hegemony in Central America and perhaps even Latin America.[1] In many ways, this examination of Canadian relations with Central America has entailed a consideration of the similarities and distinctions between Canadian and American interests in the hemisphere.

Cranford Pratt's dominant class theory (DCT) appears to be quite helpful in explaining aspects of Canadian economic foreign policy towards Central America, as we observed in Chapter Four. It will be recalled that DCT predicts that a central element of the state's foreign policy concerns the advancement of Canada's economic interests abroad. Certainly, facets of Ottawa's developmental assistance policy towards the isthmus are compatible with this component of dominant class theory. This includes Canadian export promotion techniques incorporated into aid packages, such as CIDA's tied aid provision, whereby aid is overwhelmingly limited to Canadian goods and services. Also pertinent is the accentuated commercial orientation of Canadian developmental assistance programmes under the

---

[1] See, for example, Walter LaFeber, Inevitable Revolutions (New York: Norton, 1983); and Noam Chomsky, Turning the Tide (Montreal: Black Rose, 1986).

Mulroney Administration. In addition, consistent with this aspect of DCT is the plethora of government sponsored trade missions and other assorted trade and investment promotion projects supported and administered by the DEA, DRIE and the EDC. These are characteristic of Canada's economic foreign policy to the Third World in general, and therefore are not peculiar to Central America.

Another relevant aspect of DCT concerns the anti-communist ideological position which is characteristic of many state policies.[2] It is of interest to note that this facet of Pratt's theory converges with a central conclusion reached by an earlier empirical study (1976) of the ideological disposition of the Canadian foreign policy elite. That study concluded that there is substantial evidence to suggest "..that the Cold War is not dead in the minds of the Canadian foreign policy elite..."[3] In some ways it would appear that this element of the theory is incompatible with the Central American case, since Canada is providing aid to socialist Nicaragua. Upon closer inspection, however, we observe another side to the issue. Nicaragua is the only nation in the region where Ottawa has linked aid to ideology, in the sense that Canadian assistance is discussed by Government officials in tandem with a concern for the presence of pluralism in the country. Ottawa has not expressed any similar concern regarding the presence of pluralism in other countries in Central America which are recipients of Canadian developmental assistance. Moreover, the Government has stated that Canadian aid to Nicaragua represents an attempt to prevent Managua from relying increasingly upon Soviet foreign assitance and the political strings that may be attached.

---

[2] For a discussion of the historical roots of Canada's anti-communist foreign policy, see Reg Whitaker, "The Cold War and the Myth of Liberal-Internationalism: Canadian Foreign Policy Reconsidered, 1945-1953," paper presented to the Canadian Political Science Association Annual Meeting, 8 June 1986.

[3] See R.B. Byers and David Leyton-Brown, "Canadian Elite Images of the International System," International Journal, vol. 32, #3, Summer 1977, p. 623.

This study also noted that the DEA, the Department of National Defence, and Industry, Trade and Commerce exhibited the strongest anti-communist ideological orientation, while CIDA appeared to be the most sympathetic regarding socialist experiments in the Third World.

Another interesting aspect of the study was that two-thirds of the Canadian foreign policy elite regarded the US as a declining hegemon.

Related to the Nicaraguan issue is the fact that Canada supplies the bulk of its Central American aid to Honduras, which serves as the chief launching pad for the US-sponsored Contra invasion of socialist Nicaragua. Also pertinent are allegations made by Meyer Brownstone and others that Canada is assisting indirectly the US-directed scheme in El Salvador which entails aerial bombardments of villages suspected of a leftist orientation. Clearly, these aspects of Canadian policy do not reflect sympathy for socialism.

An additional aspect of the anti-communist ideological stance of components of the Canadian state and the Canadian dominant class became apparent when Ottawa co-sponsored a cross-Canada tour of Central American business people and government officials involved with commerce. The sole representative from Nicaragua was highly critical of the Sandinistas, and urged Canadians not to invest or trade with his country. This was an obvious anomoly in the delegation, which had as its chief purpose the promotion of commercial relations between Canada and the isthmus. The Canadian Government's support for the tour seems indicative of an anti-communist ideological position on the part of some elements of the Canadian Government, and/or on the part of the Canadian Association for Latin America - a now defunct business interest group which co-sponsored the tour.

The significance of ideological forces, recognized by both DCT and the international political economy approach employed by Halliday, is also apparent in the study of Canada's politico-diplomatic relations with Central America. It will be recalled that Canada was the only country that supported President Jimmy Carter's vain efforts at the OAS to establish a military peace-keeping force that would prevent the Sandinistas from assuming power in the aftermath of Somoza's fall in 1979. That episode would appear to be indicative of Canada's hesitance toward political experiments in the hemisphere which veer away from the economic orthodoxy that generally characterizes this region.[4] Importantly, however, it seems that Canada's differences with the United States over the Nicaraguan issue have to do less with ideology and have more to do with Canada's interest in maintaining international stability and in preserving the strength of multilateral institutions - points to which we shall return shortly.

---

[4] See Edgar Dosman's discussion, in Chapter Five, of the economic and ideological orthodoxy in the Western hemisphere.

Returning to the issue of ideology, however, we noted in Chapter Five that Canada did not observe the elections in Nicaragua, but did so in El Salvador and Guatemala. Perhaps one of the factors behind the Government's decision was that if Canada had decided to observe officially the elections in Nicaragua, it would in effect provide some legitimacy to the political system in that country - a political system which is based upon a socialist economy and ideology. By not observing the Nicaraguan elections, therefore, Canada opted not to afford legitimacy to the socialist Nicaraguan political economy. It was also pointed out that Canadian officials, including two of Canada's ambassadors to the region, publicly criticized what they perceive to be the absence of Western-style pluralism in Nicaragua - again indicating ideological dissatisfaction with that country's political economy.

Similarly, the Canadian Government has carefully avoided affording any legitimacy to the Left in El Salvador. We will recall that while SSEA Mark MacGuigan met with leftist leaders in El Salvador in 1981, Ottawa refused to recognize officially the FDR-FMLN as a legitimate political force. Indeed, shortly after his meeting with leftist officials in the country, MacGuigan indicated that "The

United States can at least count on our quiet acquiescence"[5] with respect to American military plans to eradicate socialist forces in El Salvador. Further, it will be recalled that Ambassador Filleul estimated the Left to be representative of less than 10% of the political will in the country - an estimation that may be rather low given the intense level of military force the Salvadorean Government has employed over the last several years in relentless efforts to contain socialist forces in the civil war there. Hence, the point is that while Canada officially tolerates ideological diversity in the hemisphere, Ottawa appears to afford little legitimacy to socialist forces in Central America, as dominant class theory predicts.

Pratt's framework also affords significance to counter-consensus interest groups concerned with Canadian policy towards developing countries. The strength of such groups is attributed to their expertise regarding the countries they focus upon, their occasional involvement as NGO's[6] in the Canadian aid process, and the role they serve in educating the Canadian public regarding Third World affairs. These groups, according to DCT, are motivated chiefly by ethical considerations and often adopt positions that are antithetical to those expressed by Washington.

---

[5] Globe and Mail, 5 February 1981.

[6] There exists a movement in Canada which is urging Canadian non-governmental organizations (NGO's) which are involved in Central American countries to adopt a higher profile in attempts to influence Canadian policy toward the region.
See, for example, Brian K. Murphy, "Canadian NGOs and Political Activism," CUSO Journal. 1986, pp. 2 - 3.

We have seen throughout the earlier discussion that counter-consensus groups such as OXFAM Canada (led by Meyer Brownstone), the Latin American Working Group, the InterChurch Committee for Human Rights, the Taskforce on Churches and Corporate Responsibility, and the Canada-Caribbean-Central America Policy Alternatives (CAPA), have criticized Canadian economic policy in Central America. They have pointed a critical finger at exploitative Canadian investment in the region (such as INCO in Guatemala and the two Canadian gold mines in Nicaragua) as well as the resumption of aid to El Salvador amidst continuing human rights abuses there. They have also chastized the Canadian Government for providing so much aid to Honduras, and for what they view as not enough assistance to Nicaragua. In addition, we have seen that the counter-consensus groups are critical of the Government's commercial orientation in developmental assistance projects.

As well, the counter-consensus has been less than satisfied with Ottawa's politico-diplomatic relations with the region. Among other things, these groups have expressed discontent with: 1) Canada's apparent double standard with respect to elections in the region; 2) Ottawa's failure to open an embassy in Nicaragua and the dubious quality of Canada's intelligence-gathering capacity in the isthmus; and 3) Canada's participation in naval exercizes off the coast of Nicaragua. We saw that the Taskforce on Churches and Corporate Responsibility was instrumental in halting the sale of Canadian aircraft (which had military capabilities) to Guatemala and Honduras, due to this group's adroit publicization of the proposed sale. In this incident the counter-consensus was rather effective.

DCT predicts that the expressed interests of counter-consensus groups will not often be reflected in Government policy. This is largely because the positions adopted by the counter consensus tend to run against the grain of the interests of the dominant forces which shape Canadian policy to the region. While it is true that the preference for regional stability expressed by counter consensus groups overlaps to some extent with state policy,[7] it also appears to be the case that the positions of these groups often clash with US strategic policy in the region as well as with the interests of Canadian business as manifested, for example, in the commercial orientation of Ottawa's developmental assistance programmes. That is, in many ways the counter consensus have expressed policy preferences which are antithetical to the interests of Canada's dominant class as well as to those of the Reagan Administration.

---

[7] Ottawa's aid to Nicaragua seems congruent with the expressed interests of these groups, although it is not at all clear that Canadian assistance to the Sandinistas is based solely upon the interests of the counter consensus. We have seen, for example, that the Government has indicated that assistance to Nicaragua represents an attempt to discourage the Sandinistas from relying increasingly upon the Soviet Union for aid.

DCT predicts, then, that the Government will adopt a rather distant approach to these groups, a point that was exemplifed in our discussion of External Affairs Minister Monique Vezina's criticism of the InterChurch Committee on Human Rights. Further, Cranford Pratt suggests that the Canadian foreign policy bureaucracy implements techniques designed to "diffuse and limit the impact of informed domestic criticism."[8]

One such bureaucratic technique designed to placate counter-consensus groups concerns consultations with the Standing Committee on External Affairs and Defence. Pratt argues that there exists "major limitations" to the significance of subcommittee reports.[9] He points out that Ottawa's reply

> ...to the substantial reports of the Sub-Committee on Canada's Relations with Latin America and the Caribbean consisted of brief, perfunctory and uninformative comments that were not published but merely mimeographed.
>
> The government could hardly have been more dismissive.
>
> It is fair to say that the small band of all-party activists with a Third World interest who have played an active role in this committee have themselves become somewhat isolated and now almost

---

[8] Cranford Pratt, "Canada's Internationalist Image," Studies in Political Economy, #13, Spring 1984, p. 35. See pp. 34 - 41 for a discussion of these techniques.

[9] Ibid., p. 36.

> constitute an anti-consensual public interest group.[10]

Certainly Ottawa has refrained from incorporating into policy some of the most significant policy recommendations made by the Subcommittee regarding Central America. We observed that the Subcommittee recommended the establishment of a Canadian embassy in Managua in order to obtain intelligence regarding Nicaragua's role in the Central American crisis. It has been discussed above that the intelligence Ottawa currently receives is quite limited and is biased towards official American perceptions. Reg Whitaker observes that when Ottawa tends to "... rely on the their Superpower ally for intelligence, they cut themselves off, in effect, from the informational basis for autonomous action."[11] Further, I presented in Chapter Five several statements from Canadian officials who claimed that Nicaragua is engaged in military subversion of its Central American allies, which contradicts the point made in the Subcommittee report that Nicaragua's military forces appear to be utilized only for purposes of self-defence. The central point, then, is that the Subcommittee report has had a limited impact upon Canadian policy. This stands in sharp contrast, of course, to the Kissinger Commission Report which has served as a mouthpiece for the Reagan

---

[10] Ibid., p. 36.

[11] Reg Whitaker, op. cit., p. 15.

Administration's policy preferences vis-a-vis Central America.

Despite their limited effect upon government policy in general, the expertise and organizational capacity of counter-consensus groups makes them a force to be reckoned with by the Canadian Government.[12] Further, Pratt argues that there exists the "possibility that political and educational activities (on the part of the counter-consensus) can initiate a shift in the operating assumptions on which a goverment bases its policies."[13] Hence, from this perspective, the counter-consensus wields the potential to shift the parameters of Canadian foreign policy.

Pratt's dominant class theory points to the ultimate significance for Canadian policy makers of stability in the Third World, partly because this represents a crucial prerequisite for healthy commercial relations. As we have seen, the Canadian Government has stressed the significance of stability in Central America in commentaries regarding Canadian aid, trade and investment with the region. Ottawa has often expressed its hope that Canadian assistance can help to alleviate the social and economic problems which generate political instability. In addition to attempts to contribute to stability in the region, developmental assistance may also be employed to contain the proliferation of socialism in the Third World. That is, aid may be designed to play a role in alleviating the socio-economic problems which may result in revolutionary tension. The utility of developmental assistance as an instrument to contain communism has been apparent in Canadian foreign policy for quite some time, according to Pratt. He observes that a significant element of 'Pearsonian Internationalism', an orientation which has periodically been dominant among Canadian foreign policy makers, is the assumption that the communist "...threat was often better checked by imaginative developmental assistance than by increased military aid."[14]

---

[12] Interview, John Foster, Chairman, InterChurch Committee on Human Rights, 5 June 1985.

Interview, Tim Draimin, Executive Secretary, Canada-Caribbean-Central America Policy Alternatives, (CAPA), 5 June 1985.

Interview, Meyer Brownstone, Director, OXFAM Canada, 21 May 1985.

[13] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy: the Case of the Counter Consensus," International Journal, vol. 39, # 1, Winter 1983-84, p. 133.

Closely related to the significance the Canadian Government attaches to stability is the point that Canada possesses substantial economic interests in the regions immediately surrounding Central America, such as those in Mexico and parts of South America (see Charts C and G). Thus, it may be that Ottawa fears the possibility of the domino effect, whereby the conflagration in Central America may spread to its neighbours, which could jeopardize Canadian interests in surrounding regions.

While there may be truth in Reg Whitaker's point that "....idealist motives - such as the interests of peace - can in the last instance only be effective when they run with the grain of economic interest,"[15] it would also appear that the historical commitment by Canadian foreign policy makers to international stability should not be reduced solely, or even predominantly, to economic concerns. Regional instability breeds other unfavourable consequences for Ottawa. The Central American turmoil, as we observed earlier, generates an increasing number of refugees wishing to emigrate to Canada. Ottawa recently has placed a ceiling on the number of these refugees wishing to live in Canada, and has claimed that this country cannot possibly absorb all those who have been displaced in the region and who want to reside here. The issue of limiting the number of political refugees wishing to emigrate to Canada is quite controversial, and to this extent the Canadian Government has been placed in a rather precarious position domestically due to the instability in Central America.

---

[14] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit., p. 120.

Further, it may be that Canadian foreign policy makers view socialism and instability in the Western hemisphere to be closely related, in the sense that socialist experiments in the Americas have generally been followed by a US military response which in some cases has sparked instability. American instigation of instability in the Third World may also lead to a more generalized domestic protest in Canada - as has been the case particularly with respect to US adventures in Vietnam, and to a much lesser extent, in Central America. This is a phenomenon which Ottawa presumably would prefer to do without.

---

[15] Reg Whitaker, op. cit., p. 6.

Perhaps more importantly, and more abstractly, Canada as a middle power possesses an interest in promoting stability in the face of a potential decline of US hegemony in the Americas. Such a decline - in the face of wildly inequitable divisions of resources in some US client states in Latin America, in conjunction with other problems associated with political repression, underdevelopment, mounting external debt, and anti-American sentiment produced by decades of subjugation to US strategic and economic interests, etc., - may hold the prospect for violent change in the hemisphere. In a worst-case scenario, the instability created by a regional war in Central America might preoccupy Washington to the extent that the United States would be unable to perform adequately its important hegemonic role elsewhere in the international arena - a concern expressed by the director of research for Canada's Parliamentary Standing Committee report on Central America.[16] Such a scenario could generate increased global instability, which is clearly antithetical to Canadian national interests. This may explain in part why Canada has worked with the Contadora group in efforts to promote peaceful change in the region.

---

[16] Interview, Robert Miller, Parliamentary Centre for Foreign Affairs and Foreign Trade, Ottawa, 31 May 1985.

Pratt observes that "The most important recurrent theme in public interest group criticisms of Canadian policies towards the Third World is that it is so biased in favour of immediate narrow economic Canadian interests that it is unable to give any weight to longer-term and more broadly defined national interests..."[17] This does not entirely appear to be the case, however, with respect to Canadian policy towards Central America. William Harbin, an American official at the US embassy in Ottawa who specializes in Central American affairs, observed that "Canada tends to look at things in Central America in terms of its membership in international organizations."[18] Canada possesses a clear national interest in bolstering the strength of such organizations. With its historical support for international organizations and for multilateral processes devoted to resolving global problems,[19] Canada served notice to Washington with its UN vote on Nicaragua in November 1986 that it is unhappy with the Reagan Administration's unilateralist approach to international affairs. The US has ignored the mandates of international organizations with respect to Nicaragua, such as those of the United Nations, GATT and Contadora. We observed that Canada has worked with Contadora in an effort to establish a regional and multilateral solution to the Central American crisis.

---

[17] Cranford Pratt, "Canada's Internationalist Image," op. cit., p. 41.

[18] Interview, William Harbin, Councilor, US Embassy in Ottawa, 29 May 1985.

[19] See for example, Kim Richard Nossal, The Politics of Canadian Foreign Policy (Toronto: Prentice-Hall, 1985), pp. 11. 59, 97; Stephen Clarkson, Canada and the Reagan Challenge (Toronto: Lorimer, 1985); and David Dewitt and John Kirton, Canada as a Principal Power (Toronto: Wiley, 1983), pp. 107 - 114.

As a middle power, Canada can be most effective in making its voice heard when it acts in concert with other states in such international organizations as the United Nations. Strong multilateral institutions provide smaller states such as Canada with an opportunity to avoid being trounced by the unilateral measures of stronger countries, such as the USA. It would appear that Ottawa is convinced that a multilateral approach to conflict resolution represents the best hope for global peace and stability, and thus a policy supportive of multilateralism and international organizations is clearly in the Canadian national interest.

Fred Halliday argues that a state's national interest is conditioned by domestic and systemic international class relations. Hence, Halliday's approach is complementary to that of Pratt's, which focuses exclusively upon domestic determinants of foreign policy. This international political economy approach fits nicely with Pratt's theory in the sense that the role of ideology is stressed, and class and state politics are merged. This marxian model therefore accepts the realist position that the state remains the most prominent actor, though surely not the exclusively important one, in international relations. It also overlaps with the realist conception of the state's struggle for power in the international arena. The framework utilized here differs with the realist tradition and its modern variants, however, by analyzing the state's policies as a reflection of the class structure and political economy upon which they are based.

Further, Haliday's IPE framework is useful since it provides a context from which to examine Canadian policy towards the region. The Great Contest between the two social systems of capitalism and socialism is quite apparent in the Central American imbroglio. While it is argued here that indigenous factors breed revolutionary tension in Central America, superpower rivalry also has become apparent in the region. This is not to suggest that the Soviet Union and Cuba are attempting actively to subvert US client states, as the Kissinger Commission claims, but that to some degree they are attempting to exploit existing tensions for their own purposes. In this context, Canadian policy is a reflection of its role as a subordinate state to an American hegemon which is attempting to reassert its dominance in an area of the world where the regional orthodoxy of capitalism (or precapitalism) is being challenged.

While Canada may be viewed as a subordinate state, this does not mean that we should expect Canadian policy to necessarily reflect complicity with American policy. Canada, with a distinct political economy and position within the global hierarchy possesses national interests which may not converge with the US. This general phenomenon is recognized by Halliday who underscores the constant and sometimes intense conflict between the developed capitalist states, as we observed in Chapter One. It will be recalled that Halliday has argued that the US has not always been successful in its attempts to lobby its allies into opposing international socialism in the Second Cold War. While Halliday's model is useful for providing a general context from which to analyze the international determinants of Canadian policy, this approach must be fortified with a more specific examination of distinct Canadian national interests. Ottawa's pronounced interest in multilateralism has already been discussed. Two other points that merit attention include the implications of Canada's economic relationship with the United States and Canada's tendency to analyze Third World problems from a North-South perspective.

As I argued in Chapter One, it is conceivable that the structure of Canada's economic relationship with the United States[20] may at times render Ottawa vulnerable to pressure from the US to support aspects of its foreign policy. It is crucial to recognize, of course, that American influence upon Canadian policy is quite difficult to document empirically. However, there have existed some tell-tale signs of American preferences being conveyed to Ottawa on matters of Canadian economic foreign policy to the isthmus. We have observed, for example, that CIDA's Chairperson indicated that the United States "would be delighted (about) and has encouraged the restoration of Canadian aid to El Salvador."[21] One may venture to presume that Washington has also conveyed its position with respect to other matters of Canadian policy towards Central America.

---

[20] A short list of works pertinent to a discussion of the nature of the Canadian capitalist class as well as the structural linkages between the Canadian and American political economies include Robert Brym, editor, The Structure of the Canadian Capitalist Class (Toronto: Garamond, 1985), Jorge Niosi, Canadian Multinationals (Toronto: Garamond, 1985); Leo Panitch, ed., The Canadian State (University of Toronto Press, 1977); Glen WIlliams, Not for Export (Toronto: McClelland and Stewart, 1983); and Henry Veltmeyer, Canadian Class Structure (Toronto: Garamond, 1986).

Canada's penchant for employing a North-South analysis regarding political development in Central America has been apparent since Ottawa opened an embassy in the region in 1962, as we observed in Chapter Three. Ottawa has tended to interpret the nationalistic demands of developing states from the perspective of North-South contradictions rather than East-West confrontation.[22] Further, it has been shown that Canada concurs with the general Latin American perception that the US represents a foreign power when it intervenes in the affairs of Latin states, a view which is not compatible with official American interpretations of the US role in the hemisphere.

---

[21] Globe and Mail, 16 June 1986.

[22] See, for example, a quote by former Canadian Secretary of State for External Affairs Mark MacGuigan, in "Canada and Latin America," Canada, the United States and Latin America (Washington: Woodrow Wilson International Center for Scholars, 1984), p. 7.

There is no question that Canada is supportive in a general way of the United States' global hegemonic position.[23] For the Reagan Administration, 'stabilization' in Central America seems to require the eradication of the Sandinista Government in Nicaragua. "We share that goal of stabilization, but we may disagree as to how to reach that goal," observed the director of the Caribbean and Central America bureau of the DEA.[24] Washington has employed a unilateral and heavy-handed military policy in Central America, as we saw earlier. Through polite public pronouncements which generally have not mentioned the United States specifically, Ottawa has suggested that such a policy is inappropriate.[25] Instead, the Canadian Government has urged a negotiated settlement to the conflict in Central America.[26] Ottawa appears to view the Sandinista Revolution as irreversible, and wishes Washington would accept this. Thus, Canada's answer to Washington's perceived security problems in Central America is that the US should accommodate Sandinista Nicaragua, but work to ensure that socialism does not spread to other countries on the isthmus. Toward this end, Canada has offered a dvelopmental assistance package to the region which stresses reform within a capitalist political economy.[27] It would appear that Ottawa presumes that such a policy can accomplish the goals it shares with Washington, but without the disastrous political and military consequences that may precipitate from the Reagan Administration's current policy of militarization in Central America.

---

[23] See, for example, Canada, Competitiveness and Security: Directions for Canada's International Relations (Ottawa: Minister of Supply and Services Canada, 1985), p. 7.

[24] Interview, Emile Martel, Director, Caribbean and Central America Division, Department of External Affairs, Ottawa, 28 May 1985.

[25] See, for example, the speech by Canadian Prime Minister Mulroney before the Interamerican Press Association, Vancouver, B.C., 15 September 1986, text released by External Affairs Canada, "Statements and Speeches," Canadian Foreign Policy Series.

[26] Canada, Department of External Affairs, Bulletin, "Briefing Notes on Specific Countries in Central America," 14 Janaury 1986.

This distinction between Canadian and American policies toward Central America is predicted by the combination of Pratt's and Halliday's approaches. Dominant class theory hypothesizes that many aspects of Ottawa's foreign policy will be designed to promote international stabilty and to advance Canadian economic interests. Halliday's IPE model predicts that the US will attempt to reassert its hegemonic position whereby narrowly defined American economic and security interests will be manifested in US foreign policy. Taken together, then, these frameworks suggest a potential contradiction: that the Canadian national interest in global stability does not coincide with US strategic policy. This potential conflict is related to the discussion in Chapter One which suggested that a subordinate state must perceive it to be in its national interest to remain loyal to the

---

27. See Chapter Four of this dissertation, and Latin American Working Group, "Overview of Canadian Aid to Central America," (Toronto: LAWG, 1986).

hegemon's foreign policy. Canada's national interest in global stability may conflict with American strategic policy of employing military force in its perpetual quest to retard the growth of socialism in the Third World. Thus, we may expect instances where Ottawa's foreign policy is distinct from Washington's. The evidence presented in Chapters Four and Five suggests that this indeed is the case.

A pattern emerged in our earlier discussion whereby Canadian officials seemed to assume contradictory positions on matters of policy towards Central America. This was especially the case in the early 1980s. We observed, for example, that Ambassadors Sirrs and Filleul criticized the Sandinistas' ideological orientation, while Prime Minister Trudeau expressed Canada's support for ideological experiments in the hemisphere. The phenomenon of resident ambassadors making pronouncements which do not entirely converge with those of other state officials is not a new one. According to Mattingly, this is rather common in diplomatic history.

> It was a complex problem, sharpened by the bitterness of ideological conflict but unavoidable ever since the beginning of the new diplomacy, and most acute in the case of resident ambassadors.
>
> It involved the exercize of fidelity, the observance of truth and loyalty which was the form of justice appropriate to the work of an ambassador.
>
> Most simply stated the problem was, 'What faith does the ambassador owe

> to the prince or republic he serves and what to the principal to whom he is sent? And what must he do when the two duties conflict? Or when the wishes or orders of his government seem to him contrary to the true interests of his country? Or to his own honour? Or to the law of nations under which he lives and by which he is protected? Or to the interests of peace which he is supposed to serve?[28]

The generally accepted answer to those questions, according to Mattingly, is that the Ambassador must obey the wishes of his superiors who formulate policy. To this extent, Ambassador Sirrs and Filleul may have stepped out of line regarding some of the views they expressed which were not congruent with those of the Prime Minister or the Department of External Affairs. That phenomonon seems to be indicative of a lack of coherence in Canadian foreign policy towards Central America, particularly during the early 1980s. This pattern has become less observable since 1985, perhaps as a result of an attempt by Ottawa to formulate a more coherent and integrated policy as Canada increased its developmental assistance to the region and as Canada began to accept increasing numbers of refugees from the isthmus.

Contradictions between factions of Canadian policy makers have also been observed by other students of Ottawa's foreign relations. In Douglas Ross's study of Canadian policy towards Vietnam, three 'tendencies' were observable among policy makers. One of these was the conservative tendency, whose "...value and perception articulation was founded upon undiluted anti-communism."[29] Second was the left liberal tendency, which was highly critical of US policy in Vietnam and which appreciated that "...nationalism and communism could be fused legitimately."[30] Ross notes the "peripheral status"[31] of this tendency, whose positions were incongruent with those of the mainstream Canadian and American foreign policy elite. A third group, the liberal moderate tendency, dominated Canadian policy towards Vietnam and was characterized by an overriding interest in regional stability through multilateral negotiation. A key component of this tendency was a strong preference for the "...establishment of an indepenent non-communist government in Vietnam..."[32]

---

[28] Garrett Mattingly, Renaissance Diplomacy (London: J. Cape, 1955), p. 219.

It is of interest to note that Pratt's dominant class theory appears to recognize elements of the three strains of ideological dispositions on the part of Canadian policy makers that Ross points to. For example, Pratt observes a faction of foreign policy makers which represent "...the to the 'conservative' tendency indentified by Ross, this group has been composed of members such as Sinclair Stevens and other officials of the Department of Regional Industrial Expansion, whose vehemently anti-Sandinista views were discussed in Chapter Five.

---

[29] Douglas A. Ross, In the Interests of Peace: Canada and Vietnam 1954-1973 (Toronto: University of Toronto Press, 1984), p. 17.

[30] Ibid., p. 19.

[31] Ibid., p. 21.

[32] Ibid., p. 12.

Pratt discusses a second faction of Canadian policy makers whose attitudes are derived from Pearsonian internationalism.[34] This group appears to be similar to what Ross deemed to be the liberal moderate tendency. Pratt observes the dominance of this faction with respect to policy making, as does Ross. He also notes this group's commitment to stability and emphasizes its "...preoccupation with the perceived threat from international communism."[35] It is this tendency whose views have dominated Canadian policy towards Central America and which have been manifested in Ottawa's commitment to regional stability, multilatertalism and anti-communism.

Finally, Pratt identifies a faction of the Canadian Government who appear to be similar to those described by Ross as left-liberals. Pratt points to "...the small band of all party activists with a Third World interest who have...become somewhat isolated and now almost constitute an

---

[33] Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy," op. cit, p. 121.

[34] Ibid., p. 122.

[35] Ibid., p. 122.

anti-consensual public interest group."[36] The anti-consensual views of this faction have found scant expression in actual Canadian policy, and thus may be relegated to the 'peripheral' status of the left-liberal tendency which Ross observed in his study of Canadian relations with Vietnam.

Pratt's dominant class theory suggests some of the parameters of Canadian foreign policy which are related to the dominance of the faction of policy makers whose attitudes are a deriviative of Pearsonian internationalism - the group described by Ross as the moderate liberal tendency. These parameters consist largely of pro-Western values and anti-communism, the advancement of Canadian economic interest abroad, as well as a commitment towards the cultivation of global stability. It has been shown in Chapters Four and Five that this faction of policy makers is devoted to containment of socialism in the Third World, and to this extent converges with general US strategic interests in Central America. This group's commitment to global stability and multilaterism, however, clashes with the unilateral military intervention in Central America by Washington. Thus, while the so-called liberal moderates concur with general Western interests in the hemisphere, they disagree with the Reagan Administration regarding how those interests can be achieved.

---

[36] Cranford Pratt, "Canada's Internationalist Image," op. cit., p. 36.

Hence, one facet of an explanation of the contradictions of Canadian foreign policy towards Central America may stem from disagreements among the tendencies or factions of the Canadian foreign policy elite. Perhaps another element which may contribute to such contradictions is Ottawa's attempt to balance its own interests or preferences regarding Central America against those of the United States. We observed earlier that the DEA consults two groups of its own experts when formulating policy toward the isthmus, one group which specializes in Canadian relations with the region and another whose expertise is US strategic interests in Central America. One can conceive of the possibility that Ottawa would prefer to avoid adopting policies antithetical to expressed US strategic interests due to fear of American retaliation. Such was apparently the case during certain episodes of the Vietnam War, as Ross observes. "In late 1972 fear of political and economic retaliation by an American government enraged at possible Canadian 'obstructionism' helped to preclude any serious thought of turning down a role on the new International Commission of Control and Supervision."[37] Thus, although it is being argued here that in general Ottawa converges with perceived US security interests, it would seem that on the occasions when Canada contemplates policies which are distinct from American ones that Ottawa may calculate whether or not its position will invite US retaliation.

---

[37] Douglas Ross, op. cit., p. 24.

We have noted in Chapters Four and Five that Ottawa generally has avoided public criticism of US policy in Central America, although there have been notable exceptions to this. This general pattern has been observed by other students of Canadian foreign policy. Some analysts appear to hold the view that Canada should avoid public criticism of US policy since this might compromise potential Canadian influence upon American policy. Dewitt and Kirton suggest that this 'diplomacy of constraint', which at times has been characteristic of the liberal-internationalist or liberal moderate approach,

> ...is designed to inhibit the unilateral exercise of preponderant American power in a manner unfavourable to Canadian and global interests.
>
> ...Tactically, this suggests private persuasion rather than public criticism, operating within defined norms emphasizing co-operation and understanding, making limited concessions on subordinate issues, and, in the end, siding with the US, whether right or wrong, in order to maintain influence in the future.[38]

This penchant among Canadian policy makers may help to explain episodes where Canada has refused to criticize publicly aspects of American intervention in Central America. It is questionable, however, that Ottawa possesses any significant influence upon the US regarding its adventures in the Third World. As Reg Whitaker argues in his discussion of the Canadian-American relationship during the Korean War, "...the capacity of Canadians to modify or constrain American behaviour actually seems quite negligible, however many diplomatic resources they may have spent in the effort."[39] Perhaps a more plausible argument to explain Canada's tendency to avoid public criticism of the US, regarding matters on which they apparently disagree, may be that Ottawa fears alienating the US due to that country's capacity to employ economic retaliation against Canada.

---

[38] David Dewitt and John Kirton, Canada as a Principal Power (Toronto: Wiley and Sons, 1983), p. 25.

Hence, it seems that Ottawa must strike a balance between domestic and international factors when it formulates policies toward Central America. In some respects, the international determinants of Canadian policy would appear more signficant than domestic ones. Canadian policy towards the region is largely reactive to a dynamic between the US and a Central American country which is attempting to challenge American hegemony in the hemisphere. Thus, Canada is reacting to an international crisis which it had no role in creating. As John Holmes has observed, "...Canadian policies in recent years have been determined more by what has happened in Washington, Houston, Brussels or Tegucigalpa, than what has been decided or sought in Ottawa."[40]

---

[39] Reg Whitaker, op. cit., p. 33

Also In relation to the significance of international determinants of Canadian policy, I have argued earlier that Canada's rank in the international political economy as a middle power may also explain why Ottawa's policy towards Central America has been characterized by firm support for a multilateral solution to the regional crisis.

An examination of domestic determinants of foreign policy, as discussed by Pratt, are helfpul as well to explain Canadian policy towards the isthmus. This analytical framework can be of assistance in explaining ideological factors related to Canadian policy, some general parameters of Ottawa's policy to the Third World, in addition to the relative power between domestic forces which attempt to influence Canadian policy makers. But the line between domestic and international determinants of foreign policy is not always clear. Hence, aspects of international and domestic factors which shape Canadian policy are so closely inter-related that it may be of limited value to assess which of these sets of determinants is most signficant.

One other point might be of interest with respect to Ottawa's attempt to balance international and domestic influences upon policy. Pratt's dominant class theory argues that the Canadian state is relatively autonomous from societal forces, as we observed in Chapter One. The concept of relative autonomy may also be useful to explain the balance the Canadian state must strike between domestic and international influences. This general point has been made by Theda Skocpol in her review of neo-marxist conceptions of the state. "A state's involvement in an international network of states is a basis for potential autonomy of action over and against groups and economic arrangements within its jurisdiction - even including the dominant class and existing relations of production."[41]

---

[40] 40. John Holmes, "Most Safely in the Middle," International Journal, vol. 34, no. 2, Spring 1984, p. 372.

*****

Canada's historical support for multilateralism, discussed at length above, may represent this country's most formidable link with Latin American and other Third World states. As Stephen Krasner points out, strong international organizations wield the potential to provide weak developing nations with greater power in international affairs.[42] Thus, while the Trudeau Administration's discussion of the

---

[41] From Skocpol's States and Social Revolutions, quoted in Tom Keating, "The States, The Public, and the Making of Canadian Foreign Policy," Paper presented at the Annual Meeting of the Canadian Political Science Association, Montreal, 2 June 1985, p. 6.

[42] Stephen Krasner, Structural Conflict: The Third World Against Global Liberalism (London: University of Califorina Press, 1985), Chapter One.

While Krasner employs a structural realist approach in his analysis, the conclusion he reaches regarding the signficance of strong international organizations to Third World states is compatible with the conclusion reached here through a marxian analysis.

Third Option suggested that Canada's strongest bond with Latin countries lies within the realm of transcending economic dependency upon the United States, it appears that Canada's most prominent shared goal with the developing states of the hemisphere is the preservation or establishment of strong multilateral regimes to promote stability in the face of unilateral US attempts to reassert its hegemony.

Pratt has noted that "...dominant class theory, though now quite influential, has as yet not been applied much to the study of Canadian foreign policy."[43] It is hoped that this application of DCT to the study of Canadian foreign policy towards Central America has helped to broaden the debate concerning explanations of Ottawa's foreign relations.

This study has provided an examination of Canadian policy toward a region where American hegemony has been challenged. While Ottawa generally has been supportive of US hegemonic interests with respect to the Central American imbroglio, Canada's support for multilateralism may be indicative of an effort to bolster the strength of international organizations which may serve as a buffer to instability which may occur if American hegemony is further eroded in the hemisphere. The erosion of US dominance in the Americas is not an altogether unlikely prospect, as I've argued in Chapter Two, given that Washington traditionally has supported and still supports regimes which preside over inequitable divisions of resources within their country and which employ repression to maintain their rule.

---

[43] Cranford Pratt, "Canada's Internationalist Image," op. cit., p. 28.

Finally, while this dissertation has focused on just one facet of Canada's role in the Americas, there remains a plethora of related topics which merit exploration. One area of research which might prove interesting entails an analysis of Canada's role in the changing balance of power in the hemisphere. That is, Canada's interests and rank in the hemisphere could be examined against the backdrop of the interests of rising powers - such as Brazil, Argentina and perhaps Mexico - and could also be analyzed in the context of the changing balance of class forces in the Americas.

BIBLIOGRAPHY

Books, periodicals and Newspapers

Anglin, Douglas. "US Opposition to Canadian Membership in the Pan American Union." *International Organization*, vol. 15, Winter 1961.

Annis, R. "Should Canada Aid Nicaragua's Enemies?" *Socialist Voice*, 7 March 1983.

Arendt, Hannah. *On Revolution*. New York: Penguin, 1983.

---------------. *Origins of Totalitarianism*. New York: Harcourt Brace and Jovanovich, 1951.

Avery, William. *America in a Changing World Economy*. New York: Longman, 1982.

Aronowitz, Stanley. *The Crisis in Historical Materialism*. New York: Praeger, 1981.

Axline, A., ed. *Continental Community*. Toronto: McClelland and Stewart, 1974.

Baran, Paul. *The Political Economy of Growth*. New York: Monthly Review Press, 1957.

Barricada. (Nicaragua). 16 February 1983.

Barry, Tom. *Dollars and Dictators*. New York: Grove Press, 1983.

----------. *The Central America Fact Book*. New York: Grove Press, 1986.

Bendix, Richard. *Max Weber - An Intellectual Portrait*. New York: Anchor, 1960.

Blanchette, Arthur, ed. Canadian Foreign Policy - 1966-1976: Selected Speeches and Documents. Ottawa: Gage, 1980.

Block, Fred. The Origins of International Economic Disorder. Berkeley: University of California Press, 1977.

Bothwell, Robert and English, John. "The View From Inside Out: Canadian Diplomats and Their Public." International Journal, vol. 34, #1, Winter 1983/84.

Brecher, Irving. "Canada and Latin America: The Case for Canadian Investment." Queen's Quarterly, vol. 74, Autumn 1967.

Brenner, Phillip. "Waging Ideological War: Anti-Communism and US Foreign Policy in Central America." Socialist Register. London: Merlin Press, 1984.

Brym, Robert. "The Canadian Capitalist Class, 1965 - 1985." in Robert Brym, ed., The Structure of the Canadian Capitalist Class. Toronto: Garamond, 1985.

Byers, R.B. and Leyton-Brown, David. "Canadian Elite Images of the International System." International Journal, vol. 32, #3, Summer 1977.

Canada. "Briefing Notes on Specific Countries in Central America." Department of External Affairs, Bulletin, 14 January 1986.

------. "Canada and Central America." Department of External Affairs, Bulletin, 6 December 1985.

------. "Canada in a Changing World - Part I: The Global Framework." Department of External Affairs, Discussion Papers, 30 November 1979.

------. Canada's Relations with the Caribbean and Central America. Standing Committee on External Affairs and National Defence, Final Report. Hull: Canadian Government Publishing Center, 1982.

------. "Canadian Business and the Third World." Canadian International Development Agency, Bulletin, 1985.

------. "Canadian Developmental Assistance to El Salvador." Canadian International Development Agency, Bulletin, June 1979.

------. "Canadian Developmental Assistance to Guatemala." Canadian International Development Agency, Bulletin, June 1979.

------. "Canadian Economic Interests in Central America." Department of External Affairs, Bulletin, 1975.

------. Competitiveness and Security. Secretary of State for External Affairs. Ottawa, 1985.

------. "Contadora." Department of External Affairs, Bulletin, October 1985.

------. "Costa Rica." Canadian International Development Agency, Country Profile, May 1982.

------. "Country Profile: Guatemala." Canadian International Development Agency, Bulletin, May 1982.

------. "Establishment of Diplomatic Relations with El Salvador." Department of External Affairs, 14 November 1961. Archives File #6660-AB-4C.

------. "Excerpts from a Statement by Mr. Stephen Lewis, Ambassador and Permanent Representative of Canada to the 41st Session of the United Nations General Assembly on Item 12: Human Rights." Department of External Affairs, Bulletin, 25 November 1986.

------. Foreign Policy for Canadians. Ottawa: Queen's Printer, 1970.

------. Independence and Internationalism. Report of the Special Joint Committee on Canada's International Relations. Ottawa: Canadian Government Publishing Centre, 1986.

------. "Outline of Canadian Policy in Light of US Trade Embargo on Nicaragua." Department of External Affairs, Bulletin, 5 June 1985.

------. "Prime Minister Brian Mulroney before the Interamerican Press Association." Department of External Affairs, Statements and Speeches, 15 September 1986,

------. "Requests for Trade Officer." Department of External Affairs, J.L. Delisle, 13 November 1961. Archives File #6660-AB-4C.

------. "Response to the Interchurch Committee on Human Rights." Department of External Affairs, Bulletin, March 1984.

------. "Resumption of Aid to El Salvador." Department of External Affairs, Bulletin, January 1986.

------. "Strategy for International Development Corporation, 1975/80." International Development Corporation, Bulletin, 1975.

Canada, the United States and Latin America. Washington, D.C.: Woodrow Wilson International Center for Scholars, 1984.

Canadian-Caribbean-Central America Policy Alternatives. "External Affairs Cutbacks." Toronto, December 1986.

Canadian-Caribbean-Central America Policy Alternatives. "From Acquiescence to Action." Toronto, 29 March 1984.

Carnoy, Martin. The State and Political Theory. Princeton University Press, 1984.

Carrol, William. "Dependence, Imperialism and the Capitalist Class in Canada," in Robert Byer, ed., The Structure of the Canadian Capitalist Class, op. cit.

Carty, Robert and Smith, Virginia. Perpetuating Poverty. Toronto: Between the Lines, 1981.

Central America Update. 9 November 1979.

----------------------. December 1981.

----------------------. Vol. 6, #2, September 1984.

----------------------. Vol. 8, #3, November, 1986.

----------------------. Vol. 6, #4, January 1986.

----------------------. Vol. 7, #6, May 1986.

----------------------. Vol. 8, #1, July 1986.

Chomsky, Noam. Turning the Tide. Montreal: Black Rose, 1986.

Clarkson, Stephen. An Independent Foreign Policy for Canada. Toronto: McClelland and Stewart, 1968.

-----------------. Canada and the Reagan Challenge. Toronto: Lorimer, 1985.

Clemment, Wallace. The Canadian Corporate Elite. Toronto: McCLelland and Stewart, 1975.

Cohen, Joshua and Rogers, Joel. Inequity and Intervention. Boston: South End Press, 1986.

Coleman, Kenneth and Herring, George. The Central America Crisis. Washington: Scholarly Resources, 1985.

Corbett, A. "Canada in the Western Hemisphere." Foreign Affairs. Vol. 19, #4, 1941.

Cox, Robert. "Labor and Hegemony." International Organization. Vol. 31, #31.

Cruz, Arturo. "The Origiins of Sandinista Foreign Policy." in Robert Leiken, ed., Central America. Toronto: Pergamon, 1984.

Deutscher, Isaac. The Great Contest - Russia and the West. New York: Ballantine, 1960.

Development Education Centre and Latin American Working Group, Imperialism, Nationalism and Canada. Toronto: New Hogtown Pres, 1977.

Dewitt, David and Kirton, John. Canada as a Principal Power. Toronto: Wiley and Sons, 1983.

Dobell, Peter. *Canada's Search for New Roles*. Toronto: Oxford University Press, 1972.

Dosman, Edgar. "Hemispheric Relations in the 1980s: A Perspective from Canada." *Journal of Canadian Studies*. Vol. 19, #4, Winter 1984/85.

---------------. *Latin America and the Caribbean*. Ottawa: Department of National Defence, 1984.

Draimin, Tim. "Canada and Revolutionary Nicaragua." Toronto: Canada-Caribbean-Central America Policy Alternatives, 1986.

-------------. "Canada and Central America: An Overview of Business and Governmental Relations." Toronto: Canada-Caribbean-Central America Policy Alternatives, 1982.

-------------. "Canadian Foreign Policy and El Salvador." *Bitter Roots*, Liisa North, ed. Toronto: Between the Lines, 1981.

-------------. "United States Declares Trade Embargo Against Nicaragua." Toronto: Canada-Caribbean-Central America Policy Alternatives, 10 May 1985.

Draimin, Tim and Czerny, M. "Canadian Policy Toward Central America.: Toronto: Canada-Caribbean-Central America Policy Alternatives, January 1985.

Draimin, Tim and Foster, John. "Canada, Contadora and Central America." Toronto: Canada-Caribbean-Central America Policy Alternatives, 1985.

Draimin, Tim and Leonard, Julie. "Regional Overview - Implications for Canadian Policy." Toronto: Canada-Caribbean-Central America Policy Alternatives, March 1986.

Dulles, John Foster. "The Kremlin Out to Destroy the Inter-American System." Guatemala in Rebellion: Unfinished History, J. Fried, ed. New York: Grove Press, 1983.

Dupras, Maurice. "The Case for the OAS." Government of Canada Communique, 1983.

Edmonton Journal. 3 April 1984.

----------------. 16 January 1985.

----------------. 9 May 1985.

----------------. 5 December 1985.

----------------. 22 February 1986.

Engels, Friedrich. "The Origins of Family, Private Property and the State." Marx - Engels Reader, R. Tucker, ed. New York: Norton, 1978.

Export Development Corporation. Bulletin, September 1984.

------------------------------. Bulletin, 31 October 1983.

Fagen, Richard, ed. The Future of Central America. Stanford University Press, 1983.

Falk, Richard, ed. Toward a Just World Order. Boulder: Westview Press, 1982.

Feinberg, Richard, ed. Central America: International Dimensions of the Crisis. New York: Holmes and Meir, 1982.

Financial Post. 3 June 1972.

Flaherty, D. and Mckercher, W., eds. Southern Exposure: Canadian Perspectives on the United States. Toronto: McGraw-Hill-Ryerson, 1986.

Foster, John. "Contadora Crunch." Paper presented at the International Conference on Liberation Theology, Simon Fraser University, 8 February 1986.

Fox, Annette Baker and Fox, Willam. "Domestic Capabilities and Canadian Foreign Policy." International Journal. Vol. 34, #1, 1983/84.

Frank, Andre Gunder. "Political Ironies in the World Economy." Studies in Political Economy. #15, Fall 1984.

Fuentes, Carlos. Latin America: At War with the Past. Toronto: CBC Enterprises, 1985.

Gilpin, Robert. "The Richness of the Tradition of Political Realism." International Organization. Vol. 38, #2, Spring 1984.

-------------. War and Change in World Politics. New York Cambridge University Press, 1981.

Globe and Mail. 26 January 1932.

--------------. 5 February 1981.

--------------. 30 May 1983.

--------------. 31 May 1983.

--------------. 22 June 1983.

--------------. 19 October 1983.

--------------. 11 February 1984.

--------------. 1 March 1984.

--------------. 12 March 1984,

---------------. 15 March 1984.

---------------. 27 March 1984.

---------------. 11 May 1984.

---------------. 3 April 1984.

---------------. 2 May 1984.

---------------. 8 May 1984.

---------------. 28 May 1984.

---------------. 4 June 1984.

---------------. 27 July 1984.

---------------. 20 October 1984.

---------------. 25 October 1984.

---------------. 2 November 1984.

---------------. 5 November 1984.

---------------. 26 November 1984.

---------------. 2 May 1985.

---------------. 12 June 1985.

---------------. 8 October 1985.

---------------. 30 November 1985.

---------------. 26 April 1986.

---------------. 16 June 1986.

---------------. 7 July 1986.

---------------. 6 September 1986.

---------------. 4 October 1986.

---------------. 16 October 1986.

---------------. 23 October 1986.

---------------. 4 November 1986.

---------------. 19 November 1986.

---------------. 12 February 1987.

Gotlied, Allan E. "A Concluding Perspective." Canada, the United States and Latin America, op. cit.

Graham, John. Speech given at Canadian Institute for Strategic Studies, 8 November 1985.

Gramsci, Antonio. Selections from Political Writings-1910-1920. New York: International Publishers, 1977.

----------------. Selections from Prison Notebooks. New York: International Publishers, 1971.

Granatstein, J.L., ed. Canadian Foreign Policy Historical Readings. Toronto: Copp-Clark-Pittman, 1986.

-----------------. Canadian Foreign Policy Since 1945. Toronto: Copp-Clark, 1973.

-----------------. The Ottawa Men. Toronto: Oxford University Press, 1982.

Guatemala News. 26 November 1976.

Guy, James. "Trudeau's Foreign Policy and Latin America." Revista/Review Interamericana. Vol. 7, Spring 1977.

Halliday, Fred. The Making of the Second Cold War. London: Verso, 1986.

Hansard. 9 March 1981.

Harris, F.R. "Canadian-Guatemala Trade.: Department of External Affairs, Bulletin, March 1985.

------------. "Canadian-Costa Rica Trade." Department of External Affairs, Bulletin, March 1985.

------------. "Canadian-Nicaraguan Trade." Department of External Affairs, Bulletin, 1 March 1985.

Hayes, Margaret. "United States Security Interests in Central America." Central America, Richard Feinberg, ed.

Hilmer, N. and Stevenson, Garth. A Foremost Nation. Toronto: McClelland and Stewart, 1977.

Hollist, W. and Tulles, F. An International Political Economy. Boulder: Westview, 1985.

Holmes, John. The Better Part of Valour: Essays on Canadian Diplomacy. Toronto: McClelland and Stewart, 1970.

------------. Canada: A Middle Aged Power. Toronto: McClelland and Stewart, 1976.

------------. "Impact of Domestic Political Factors." International Organization. Vol. 28, #4, 1974.

------------. "Most Safely in the Middle." International Journal. Vol. 34, #2, Spring 1984.

Holsti, O., ed. Change in the International System. Boulder: Westview, 1980.

C.D. Howe Institute. Weathering the Storm: Canada-US Relations: 1980/83. Toronto: 1985.

Humphrey, John. The InterAmerican System: A Canadian View. Toronto: Macmillan, 1942.

Innis, Harold. Essays in Canadian Economic History. M.Q. Innis, ed. Toronto: Univeristy of Toronto Press, 1956.

Jamail, Milton and Chichilla, Norma. Garrison Guatemala. London: Zed, 1984.

Kaufmann, M. "The Internationalization of Canadian Bank Capital." Journal of Canadian Studies. Vol. 19, #4, Winter 1984/85.

Keating, Tom. "Making Virtue of Necessity: Perspectives on Canada's Defence and Foreign Policies." University of Alberta, October 1986.

--------------. "The State, the Public and the Making of Canadian Foreign Policy." Paper presented to the Canadian Political Science Association Annual Meeting, Montreal, 2 June 1985.

Keating, Tom and Keenleyside, T. "Voting Patterns as a Measure of Foreign Policy Independence." International Perspectives. May/June 1980.

Keohane, Robert. After Hegemony. Princeton: Princeton University Press, 1984.

Kirkpatrick, Jeane. Dictatorships and Double Standards. New York: Simon and Schuster, 1982.

-------------------. "United States Security and Latin America." Rift and Revolution, Howard Wiarda, ed. Washington: American Enterprise Institute, 1983.

Kirton, John. "Foreign Policy Decision Making." International Journal. Vol. 33, #2, 1978.

Kissinger, Henry. The Report of the President's National Bipartisan Commission on Central America. New York: Macmillan, 1984.

Klepak, H.P. and Vachon, Captain G.K. A Strategic and Economic Analysis of Canadian National Interests in Latin America. Ottawa: Department of National Defence, 1978.

Krasner, Stephen. Structural Conflict: The Third World Against Global Liberalism. London: University of California Press, 1985.

Lafeber, Walter. "The Burdens of the Past." Central America, Robert Leiken, ed., op. cit.

---------------. Inevitable Revolutions. New York: Norton, 1983.

---------------. The Panama Canal: The Crisis in Historical Perspective. Toronto: Oxford University Press, 1978.

Latin America Weekly Report. 2 July 1982.

Latin American Working Group. "Canadian Investment, Trade and Aid in Latin America." Toronto: vol. 7, #1/2, 1981.

---------------------------. "INCO in Guatemala." Vol. 5, #7/8, 1979.

---------------------------. "Overview of Canadian Aid to Central America." Toronto: 1986.

La Tribuna. (Honduras). 14 April 1984.

Le Devoir. 3 September 1986.

Lenin, V.I. Imperialism, the Highest Stage of Capitalism. Moscow: Progress, 1982.

Leonard, Tim. Central America and United States Policies. Claremont: Regina Books, 1985.

Levenstein, Harvey. "Canada and the Suppression of the Salvadorean Revolution of 1932." Canadian Historical Review. Vol. 62, #4, 1981.

Levitt, Kari. Silent Surrender. Toronto: Macmillan, 1970.

Lyon, Peyton. Canada in World Affairs. Toronto: Oxford University Press, 1968.

Lippmann, Walter. The Cold War: A Study of United States Foreign Policy. New York: Harper, 1947.

Litvak, I.A. The Canadian Multiationals. Toronto: Butterworths, 1981.

Los Angeles Times. 25 May 1986.

-----------------. 6 September 1986.

-----------------. 12 October 1986.

-----------------. 14 December 1986.

-----------------. 15 February 1987.

MacLeans. 13 June 1983.

MacEachen, Allan. Department of External Affairs Bulletin. San Jose, 1 April 1984.

MacLeod, Murdo. Spanish Central America. University of California, 1973.

Magdoff, Harry, ed. Imperialism: From the Colonial Age to the Present. New York: Monthly Review Press, 1978.

Marx, Karl. "Critique of the Gotha Program." Marx - Engels Reader, Robert Tucker, ed., op. cit.

-----------. "The German Ideology." Marx - Engels Reader. Robert Tucker, ed., op. cit.

Massey, Vincent. "Canada and the InterAmerican System." Foreign Affairs. Vol. 16, July 1948.

Mattingly, Garrett. Renaissance Diplomacy. London: J. Cape, 1955.

McMahan, Jeff. Reagan and the World. New York: Monthly Review Press, 1985.

Miles, Sarah. "The Real War: Low Intensity Conflict in Central America." NACLA Report on the Americas. Vol. 20, #2, April/May 1986.

Miliband, Ralph. Marxism and Politics. London: Oxford Unviersity Press, 1977.

---------------. "Poulantzas and the Capitalist State." New Left Review. November/December 1982.

---------------. "Reflections on Anti-Communism." Monthly Review. Vol. 37, #3, July/August 1985.

---------------. The State in Capitalist Society. London: Winfield and Nicholson, 1969.

Miller, Eugene. "Canada and the Pan American Union." International Journal. Vol. 3, Winter 1947.

Monetary Times. 22 July 1911.

---------------. 10 February 1912.

Moore, Barrington, Jr. Social Origins of Dictatorship and Democracy. New York: Beacon, 1967.

Morales, Cecilio, Jr. "A Canadian Role in Central America." International Perspectives. January/February, 1985.

Murphy, Brian K. "Canadian NGO's and Political Activism." CUSO Journal. 1986.

Murray, D.R. "The Bilateral Road: Canada and Latin America in the 1980s." International Journal.

Naylor, R.T. The History of Canadian Business, Vol. II. Toronto: Lorimer, 1975.

New York Times. 24 January 1932.

--------------. 15 February 1985.

--------------. 10 November 1985.

Nicaraguan Update. 1 August 1979.

-----------------. 6 July 1979.

Niosi, Jorge. Canadian Capitalism. Toronto: Lorimer, 1981.

------------. Canadian Multinationals. Toronto: Garamond, 1985.

Non-Intervention in Central America: Canadians for Self Determination. Mission for Peace: A Report. Toronto: March 1986.

North, Liisa. Bitter Grounds. Toronto: Between the Lines, 1981.

------------. Negotiations for Peace in Central America. Ottawa: Canadian Institute for International Peace and Security, 1985.

North South Institute. In the Canadian Interest? Third World Development in the 1980s. Ottawa: 1980.

---------------------. "The Mulroney Programme and the Third World." Ottawa: 4 January 1985.

Northern Minter. 18 September 1985.

Nossal, Kim Richard. "Analyzing Domestic Sources of Canadian Foreign Policy." International Journal. Vol. 34, #1, Winter 1983/84.

-------------------. The Politics of Canadian Foreign Policy. Scarborough: Prentice Hall, 1985.

Nye, Joseph and Keohane, Robert. Transnational Relations and World Politics. Cambridge: Harvard Univerity Press, 1972.

Ogelsby, J.C.M. "Canada and the Pan American Union." International Journal. Vol. 24, Summer 1969.

----------------. Gringos from the Far North. Toronto: Macmillan, 1976.

----------------. "A Trudeau Decade." Journal of Interamerican Studies. Vol. 21, #2, May 1979.

Ottawa Citizen. 25 October 1984.

---------------. 8 June 1985.

---------------. 31 May 1986.

---------------. 6 June 1986.

---------------. 5 November 1986.

Oye, Kenneth. Eagle Defiant. Toronto: Little Brown, 1981.

Page, Donald. "A Bibliography of Works on Canadian Relations - 1945-1970." Canadian Institute of International Affairs.

Panitch, Leo. "Class Power in Canada." Monthly Review. Vol. 36, #1, April 1985.

------------. The Canadian State. University of Toronto Press, 1977.

Park, L.C. and F. W. Anatomy of Big Business. Toronto: James Lewis and Samuel, 1973.

Pattee, S.F. "Mission to Central America and Panama Explores Development Programmes." Canadian Commerce. June/July 1979.

Pearce, Jenny. Under the Eagle. London: Latin America Buruea, 1982.

Persky, Stan. The Last Domino. Vancouver: New Star, 1984.

Petras, James. Capitalist and Socialist Crises in the Late Twentieth Century. Totowa: Rowman and Allanhead, 1984.

-------------. "The Monroe Doctrine and United States Hegemony in Latin America." Latin America: From Dependence to Revolution, James Petras, ed. New York: Wiley and Sons, 1973.

Poulantzas, Nicos. Clases in Contemporary Capitalism. London: Verso, 1978.

-----------------. "On Social Classes." New Left Review. #78, March/April 1973.

-----------------. "The Problem of the Capitalist State." New Left Review. #58, November/December 1969.

Pratt, Larry. "The Reagan Doctrine and the Third World." Socialist Register. London: 1987.

Pratt, Cranford. "Canadian Policy Towards the Third World." Studies in Political Economy. #13, Spring 1984.

----------------. "Dominant Class Theory and Canadian Foreign Policy." International Journal. Vol. 39, #1, Winter 1983/84.

The Progressive. December 1985.

----------------. May 1986.

Prongos, Peter. "Canada and the Sandinistas." Connexions. September 1986.

Resnick, Phillip. "Democracy, Socialism and the State." Paper presented at the Canadian Political Science Association, June, 1980.

Rogers, William. "The United States and Latin America." Foreign Affairs. Vol. 63, #3, 1985.

Ross, Douglas. In the Interests of Peace: Canada and Vietnam 1954-1973. Toronto: University of Toronto Press, 1984.

Rotstein, Abraham. "Foreign Policy and the Canadian Business Community." International Journal. Vol. 34, #1, Winter 1983/84.

Russett, Bruce. "The Mysterious Case of Vanishing Hegemony." International Organization. Vol. 39, #2, Spring 1985.

San Jose News. 23 May 1980.

Schattschneider, E. The SemiSovereign People. New York: Holt, Reinhart and Winston, 1960.

Schulz, Donald and Graham, Douglas, eds. Revolution and Counterrevolution in Central America and the Caribbean. Boulder: Westview, 1984.

Sjolander, Clair T. "1984: Chronology and Statistical Profile." Brian Tomlin and M. Molot, eds. Canada Among Nations, op. cit.

Skocpol, Theda. "Political Response to Capitalist Crises." Politics and Society. Vol. 10, #2, 1980.

---------------. States and Social Revolutions. New York: Cambridge University Press, 1979.

Socialist Voice. 26 November 1979.

---------------. 3 December 1984.

---------------. 17 December 1984.

Statistics Canada. Canada's Direct Investment Abroad. Catelogue 67-202, various years.

-----------------. Summary of Canadian Imports/Exports. Catelogue 65-001, various years.

Sweezy, Paul and Magdoff, Harry. "What is Marxism?" Monthly Review. Vol. 36, #10, March 1985.

Taskforce on the Churhces and Corporate Responsibility. Annual Report, 1984/85. Toronto: 1986.

--. "Canadian Economic Relations with Countries that Violate Human Rights." Toronto: June 1982.

Taylor, Charles. Snow Job. Toronto: Hunter Rose, 1974.

This Week. 12 February 1979.

Thomson, Bob. "Canadian Trade Relations with Nicaragua After the United States Embargo." Canada-Caribbean-Central America Policy Alternatives, 7 May 1985.

Thorardson, Bruce. Truduea and Foreign Policy. Toronto: Oxford University Press, 1972.

Tico Times. 5 December 1986.

Time. 16 March 1986.

Tomlin, Bruce, ed. Canada's Foreign Policy: Analysis and Trends.

Tomlin, Brian and Molot, M. Canada Among Nations. Toronto: Lorimer, 1985.

Toronto Star. 29 July 1983.

------------. 30 July 1983.

------------. 29 February 1984 .

------------. 5 March 1985.

------------. 17 March 1985.

------------. 28 July 1986.

Triantis, S.G. "Canada's Interest in Foreign Aid." World Politics. Vol. 24, #1, October 1971.

Trotsky, Leon. The Russian Revolution. New York: Doubleday, 1959.

Tucker, Michael. Canadian Foreign Policy. Toronto: McGraw Hil, 1980.

Tucker, Robert. "In Defense of Containment." World Politics Debated, H. Levine, ed. Toronto: McGraw-Hill, 1986.

--------------. "Isolation and Intervention." The National Interest. Fall, 1985.

--------------. The Inequality of Nations. New York: Basic, 1977.

Urruela, Dr. F. Guatemalan Ambassador to Canada. Speech, University of Ottawa, 26 February 1985.

Vaky, Viron. "Reagan's Central America Policy." Central America, Richard Feinberg, ed., op. cit.

Vancouver Sun. 25 January 1932.

Veltmeyer, Henry. Canadian Class Structure. Toronto: Garamond, 1986.

Washington Post. 6 October 1979.

Whitaker, Reg. "The Cold War and the Myth of Liberal Internationalism: Canadian Foreign Policy Reconsidered, 1945-53." Paper presented to the Canadian Political Science Asssociation Annual Meeting, Winnipeg, 8 June 1986.

Wilkinson, Bruce. "Commericial Policy and Free Trade with the United States." Canada Among Nations, Brian Tomlin, ed., op. cit.

Will, R.M. "Economic Aspects of Canadian-Latin American Relations." International Journal. Vol. 15, August 1960.

Williams, Glen. Not For Export. Toronto: McClelland and Stewart, 1983.

Wolfe, Alan. "The Irony of Anti-Communism." Socialist Register, 1984, op. cit.

Woodward, Ralph Lee. Central America. New York: Oxford University Press, 1976.

Wyse, Peter. Canadian Foreign Aid in the 1970s. Montreal: Centre for Developing Area Studies, 1983.

Zamosc, Leon. "El Desembarco de Tropas Canadienses en El Salvador." Desarrollo Indoamericano. Colombia, Ano XIV, #52, October 1979.

Interviews

David Bickford. Department of External Affairs, Caribbean and Central America Bureau, Nicaragua Desk. Ottawa, 29 May 1985.

Arthur Blanchette. Director, Historical Division, Department of External Affairs. Ottawa 31 May 1985.

Meyer Brownstone. Director, OXFAM Canada. Toronto, 21 May 1985.

Roberto Carr-Ribeiro. Canadian International Development Agency. Head of Programmes to El Salvador, Nicaragua, Costa Rica and Panama. San Jose, Costa Rica, 26 January 1984.

Robert Clark. Councilor, Senior Political Officer. Canadian Embassy, Mexico City. 27 June 1984.

Pat Doyle. Export Development Corporation, Senior Political Risk Analyst, Market and Analysis Division. Ottawa, 30 May 1985.

Tim Draimin. Executive Secretary, Canada-Caribbean-Central America Policy Studies. Toronto: 5 June 1985.

Francis Filleul. Canadian Ambassador, Canadian Embassy, Costa Rica. San Jose, 30 July 1984.

John Foster. Chairman, InterChurch Committee on Human Rights. 5 June 1985.

William Harbin. Counsellor, United States Embassy. Ottawa, 29 May 1985.

F.R. Harris. Department of External Affairs, Caribbean and Central America Trade Desk. Ottawa, 19 May 1985.

Bruno Hebert. Canadian International Development Agency, Country Programme Manager. Hull: 28 May 1985.

Bob Khan. Royal Bank of Canada, Manager, Special Services, International Trade and Correspondent Banking. Toronto: 23 May 1985.

Emile Martel. Department of External Affairs, Director, Caribbean and Central America Division. 28 May 1985.

Robert Miller. Director, Parliamentary Centre for Foreign Affairs and Foreign Trade. Ottawa: 31 May 1985.

Mario Pacheco. Costa Rican Ambassador to Canada. Ottawa, 31 May 1985.

Jose Quiroga. Export Development Corporation, Senior Economist. Ottawa: 30 May 1985.

Carlos Ramos. CONIPAZ (Nicaraguan Peace Committee). Managua, 7 July 1984.

David Randolf. Political Analyst, United States Embassy in Nicaragua. Managua, 5 July 1984.

Jose Reina. First Secretary, Honduran Embassy in Canada. Ottawa, [illegible]9 May 1985.

Barbara Rodriques Assman. Canadian International Development Agency, Consultant for projects in El Salvador and Panama. San Jose, Costa Rica, 26 June 1984.

Mario Nunez-Suarez. Department of Regional Industrial Expansion, Special Assistant. Ottawa, 31 May 1985.

Dr. F. Urruela. Guatemalan Ambassador to Canada. Ottawa, 31 May 1985.

Pastor Valle-Garay. Consul General of Nicaragua in Toronto, 17 May 1985.

Norman Willoughby. Canadian International Development Agency, Bilateral Projects Advisor for Nicaraguan Projects. San Jose, Costa Rica, 26 June 1984.